

US retailing

Saturation at home, opportunity abroad



Audio-visual choices Subsidy, protection or a free market?



Gabor Varszegi

The richest man in eastern Europe



Patience needed

Investment in Latin America

FINANCIAL TIMES

British Coal sell-off

Europe's Business Newspape

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TO SECTION 12

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US mining groups may become owners of significant parts of the British coal industry if a UK government marketing drive in the US this week succeeds. A decade after the year-long strike by Britain's miners over planned pit closures, the government is hoping to attract US groups to buy parts of British Coal when it is privatised by early next year. Details of British Coal's privatisation are to be published this week. Government advisers believe US-based companies are the most likely among overseas groups to seek parts of British Coal, in spite of the sharp decline in demand for coal in the UK. So far only two foreign groups have expressed interest publicly. Both are North American. Page 7

Ford and Mazda plan 'global' car: Ford Motor, which has just launched the North American version of its Mondeo "world car", is considering with Mazda of Japan a more far-reaching "global" car project. Page 15

Europe-wide telecom contract: A contract to provide a Europe-wide telecommunications network for 30 continental multinationals has been won by British Telecommunications and an alliance of AT&T and the Swiss, Swedish and Dutch state telecoms companies. Page 14

BCCI liquidators fees questioned: The committee representing creditors of the collapsed Bank of Credit and Commerce International is refusing to approve £23.7m (\$34.6m) in annual fees for the bank's liquidators, who are partners at the accountancy firm, Touche Ross. Page 14

S Africa election unrest: Prospects for a peaceful election in South Africa appeared dim after the country's political leaders acknowledged the failure of a peace summit, and Inkatha leader Mangosuthu Buthelszi predicted further bloodshed

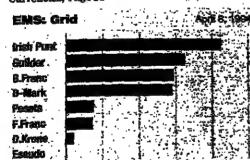
Bossi spelle out conditions: Italy's Northern League will help form a new Italian government, but only if its federal, free market and anti-fescist values are respected, said party leader Umberto

Accounting changes expected: The UK's Accounting Standards Board is expected to recommend changes to the reporting of company profits from property leases, in the wake of heavy losses incurred by specialty retailer Pentos. Page 15; Lex, Page 14

Rothischild Asset Mans then half the original target for its International Biotechnology Trust with the placing of shares with institutions attracting only up to 140m (\$58.4).

Pakistan and US deny deadlock: Pakistan and the US ended talks without progress on Washington's proposal to supply up to 38 F-16 aircraft in return for a cap on Islamahad's alleged nuclear weapons programme, but both sides played down any suggestion of a deadlock. Page 4

European Monetary Systems The Irish punt returned to the top of the EMS grid last week, helped by the recovery of sterling. The Portuguese escudo stayed at the bottom, but was stronger after government efforts to stabilise the currency. The Spanish peseta, closely tied to the escudo, rose in sympathy to finish above the French franc-Currencies, Page 31



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Lancer Boss Group, one of the UK's biggest privately-owned manufacturing companies and the last big UK-owned producer of lift trucks, called in receivers to its UK trading operations over the weekend. Page 7

Israeli bank officials sentenced: Three former Israeli bank executives were sentenced by a Jerusalem court to jail over a 1983 share-manipulation scandal that forced the government to spend \$9bn buying bank stock to to stave off

WHO urges Alds vaccine research: Drugs companies should concentrate on developing a vaccine for Aids rather than focus on treatments for the disease, the World Health Organisation said. Page 4

Bombay Stock Exchange, Asia's oldest bourse, plans to computerise trading in most of its shares from October 1 in an effort to bring transparency to the market, according to its newly elected president, Bhagirath Merchant.

Egyptian fundamentalists jalled: An Egyptian court sentenced two academics and the editor of a defunct fundamentalist newspaper to six months' jail for libel of the Grand Mufti, the country's highest authority on religious law.

UK looks to US for Nato air strike halts Serb attack likely buyers in

By Edward Mortimer and Laura Silber in Sarajevo and George Graham in Washington

Nato aircraft last night attacked the Serb forces advancing on the Moslem enclave of Gorazde, the first time it has acted on its long-standing threat to use air power to protect Bosulan towns designated as United Nations safe

The bombing raid by two F-16 fighters, which came without warning, marks a sharp toughening of Nato's position after a day in which the Serb attack on Gorazde intensified, causing widespread panic, forcing hundreds of refugees to flee from the town's southern outskirts.

By nightfall the raid seemed to have succeeded in its aim of halting the Serb advance. Officials at

Nato beadquarters in Brussels said the operation brought an immediate halt to Serbian artillery fire. "The shelling has stopped following the strike and there is very little small arms

fire," one official said. However the Nato action raises the possibility of a dispute with Russia, where the Serb cause is strongly supported. Russia has long cautioned against Nato air strikes to protect the UN safe havens.

According to the Yugoslav news agency, the Serb army's Herzegovina Corps warned: "By this act, Nato carried out a clear act of aggression against Serb people striking at civilian targets far from the front line."

A UN spokesman said at least two Serb tanks had been hit in the operation that was reported

Countdown to Gorazde bombing raid

E Sunday morning: Gen Sir Michael Rose, UN Commander in Bosnia, obandoned trip to Brussels when told of renewed Serb attack on Gorazde, telling reporters air strikes were possible. US Secretary of State Warren Christopher, on NBC's Meet The

Press, later said: "If Gen Rose asks for air support from Nato . . . we have adequate authority. E Sunday afternoon; Serb forces overrun hill close to the centre of

🛎 Late afternoon: Charles Redman, senior US negotiator, warned

Serbs would "have to be dealt with." Early evening: Two US F-16s attack Serb targets at 16.22 GMT.

in Washington to involve two US Rose, who has struggled unsuc-P-16 aircraft, based at Aviano in cessfully in recent days to bring Italy. The Serbs responded with a ceasefire in Gorazde in prepara-

The NATO aircraft acted on the recommendation of UN com-mander General Sir Michael

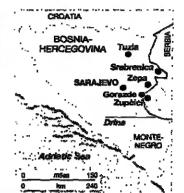
tion for a longer-term truce in the town, home to 65,000 Moslems and one of three so-called safe

Mr Kris Janowski, a spokesman for the United Nations High Commission for Refugees, said shortly before the air attack that thousands of desperate villagers were pouring into Gorazde amid

a heavy artillery barrage.
"People can see villages around
Gorazde burning and there is constant fire from howitzers in and around the centre," he said. Western governments have cited UN Security Council resolutions 824 and 836, approved last summer, in justification of their

use of air power. These resolutions established safe areas, including Sarajevo and Gorazde, and provided for "air support" for the protection of UN forces.

In Zagreb, UN spokesman Generai Roy Ratazzi said a tank and a Serbian command post had



been targeted by the Nato aircraft. "Two American F-16s went

> Continued on Page 14 in balance, Page 3

Israel set to extend closure of West Bank and Gaza

By Julian Ozanne in Jerusalen

Israel prepared for a prolonged closure of the occupied West Bank and Gaza Strip yesterday, in spite of warnings from Israeli ministers that it would impover-ish Palestinians, harm Israeli-Palestinian peace talks and fuel vio-lence in the territories.

- The cabinet agreed to grant new work permits for 18,000 foreign workers to substitute for Palestinian labourers banned from crossing into Igrael.

The closure, to be reviewed by the cabinet next week, has serious implications on the already low standards of living of hundreds of thousands of Palestinians in the occupied West Bank and Gaza Strip who are dependent on income from jobs in Iarael.

By increasing Israel's trend tewards independence and separation from the territories, the neasure may also have negative implications for the long-term prospects of the Palestinian economy and for Israeli-Palestinian peace talks, which resumed in

Cairo yesterday. Gen Matan Vilnai, army chief of the southern command. warned that the maintenance of a rigid closure policy, which has barred up to 70,000 Palestinians from travelling to their jobs in israel, would also provoke an upsurge in violence in the West Bank and Gaza.

The territories were sealed on Thursday after Islamic guerrillas killed eight Israelis in revenge for the Hebron mosque massacre. Cabinet ministers said the gov-

ernment was determined to maintain a lengthy closure to prevent Palestinians from making further attacks against Israelis. Left-wing cabinet ministers

warned that a long closure would impose tremendous suffering on the Palestinians and called for the immediate injection of increased aid into the territories

to alleviate poverty.
Under yesterday's cabinet decision, work permits will be granted for 15,000 foreign construction workers, mainly from eastern Europe, and 3,000 agriculture workers, mainly from Thai-land, for an initial six-month period, increasing Israel's foreign workforce to 37,000.

Palestinian leaders strongly condemned the closure, accusing Israel of collective punishment against Palestinians and of imposing acute suffering. Among those affected are 120 cancer patients in Gaza who are now unable to travel to Israel for

The cabinet move came hours before Israel and the PLO resumed Palestinian self-rule talks in Calro amid increasing Palestinian frustration and signs that it is now almost impossible for the two sides to reach final

Rwanda rebels march on Kigali



Rwanda rebels (above) were marching on the capital Kigali yesterday as troops from France, Belgium and the US rescued expatriates from the central African country, where thousands of people have been killed in tribal massacres.

French troops secured the airport on Saturday to evacuate some 600 French nationals. US Marines were sent to neighbouring Burundi to assist Americans fleeing overland. Meanwhile, Belgian troops arrived in Kigali last night. Report, Page 14

Japan's ruling coalition close to breaking up

By William Dawkins in Tokyo

Japan's seven-party coalition government was yesterday close to breaking up, as it failed to resolve a bitter power struggle over the successor to Prime Minister Morihiro Hosokawa.

The impasse, over the policies and composition of the next gov-ernment, increases the likelihood of another general election. This would paralyse the government as trade disputes with the US approach a critical juncture and as it struggles to implement an needed to pull Japan out of its worst recession since the second world war.

Mr Hosokawa will stay on as a caretaker leader until a successor can be found. Coalition leaders did agree to try to form a new cabinet by mid-week, allowing the new prime minister to deliver a policy speech to parliament fore the weekend. But a senior official of one party warned that any such administration would be transitional

Mr Hosokawa's decision to quit, announced on Friday, unleashed a new struggle among Japanese political parties, thrown into flux by last sum-mer's defeat of the Liberal Democratic Party. It has intensified the growing split between the coali-tion's right and left wings. Mr Tsutomu Hata, the conser-

vative foreign minister, remained the most likely successor, with the apparent backing of Mr Hosokawa and three conservative parties, holding a majority within the coalition. But left-wing coalition mem-

bers voiced suspicion that Mr Hata would be the puppet of his powerful colleague Mr Ichiro Ozawa, the government's backroom strategist. Mr Ozawa's dominance over Mr Hosokawa has enraged the Social Democratic party, the alliance's largest mem-ber. Mr Ozawa and Mr Hata jointly lead the Japan Renewal party, or Shinseito, the secondlargest coalition member, which has dominated foreign, trade, and economic policy, despite Socialist opposition.

There is a lot of resistance to the Idea of Shinselto taking control . . . If we are unable to form a strong government, then we let

Continued on Page 14 Hosokawa's cupboard, Page 6

Beijing to freeze vehicle ventures

China will freeze numbers of

The policy, sketchy details of

not already have ventures. Foreign manufacturers assem-bling vehicles in China include

Conspicuous by their absence

is aimed at allowing local industry to consolidate after recent rapid changes, including the entry of foreign manufacturers. in the policy call for 40 per cent

China produced 234,000 cars in 1993 and plans to increase output to 350,000 this year. Imports ched 310,000 units in 1993, but that almost certainly understates numbers of vehicles entering China by a wide margin, since

smuggling is rife.
At 1 January there were 1.2m passenger cars in China, 70 per cent of which were imported. China reduced tariffs by 70 per cent from the beginning of the year to 150 per cent for larger cars and 110 per cent for smaller

Volkswagen is producing 100,000 sedans a year and has market.

China is home to about 120 vehicle manufacturers, but many are tiny, turning out as few as 10 vahicles per week. Such enterprises are struggling to survive in the new, more competitive

Restrictions on numbers of car plants are lifted.

International Law and Tax Institute three separate half-day seminars* on

ASSET PROTECTION

asset protection trusts and companies vexations litigation by (pseudo) creditors, spouses etc

By Tony Walker in Beiling

vehicle assembly plants until 1996 under a new automotive policy to be announced soon, the official Business Weekly reported at the weekend.

which appeared, lays down local-content rules and sets out a blueprint for the industry's development beyond the year 2000 and appears to close the door. for now, on foreign makers that do

Volkswagen of Germany, Citroen and Peugeot of France, Chrysler of the US, and Daihatsu, Suzuki and Fuji Heavy Industries of

are the larger Japanese manufac-turers, including Toyota, Nissan, Honda and Mitsubishi. The Japanese were slow to respond to opportunities in China, preferring to rely on exports. The moratorium on new plants

Local-content rules laid down locally sourced parts for new ventures, rising to 60 per cent after three years, according to Busi-

CONTENTS

ness Weekly.

increased local content to 80 per cent. The Germans have plans to introduce new models to range more widely across the Chinese

assembly plants will not apply to components manufacturers, which are flooding into China in search of opportunities. Ford and General Motors are establishing components joint ventures in order to build a platform for entry to the China market once restrictions on new assembly

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NEWS: INTERNATIONAL

A Brussels audio-visual paper has posed more questions than answers. FT writers report

Ailing EU film industry awaits policy script

In Brussels-speak it is democratic debate. For the rest of the world it may seem more like waffle. As the television and film industry

digests the European Commission's audio-visual green paper unveiled last week, suspicions about the problems of doing business with Brussels bureaucracy are unlikely to have been

Although the Commission and the industry fully agree that "urgent" action is needed to boost Europe's ailing audio-visual sector, many might wonder why it has taken a year to

David Puttnam,

producer of such influential European-

made films as Chariots of Fire,

The Killing Fields and The

Mission has, he believes, entered his "fifth age" as a film

It is an age in which he is more likely to fly to Brussels to lobby members of the Euro-

pean Commission on the future

employment potential of the

audio-visual industry than to

see one of his films in the mak-

With as much passion as he

ever put into his films, Mr Puttnam has been trying to persuade the Commission,

which last week published its

discussion document (green

paper) on the audio-visual

industries, that no other indus-

try offers such potential and

that the need for action is

On the present state of the

economic battle between the

European and the US indus-

audio-visual industry.

provide policy answers - but simply poses more questions. Mr Joao de Deus Pinheiro, Euro-

pean Union audio-visual commissioner, suggested some reasons last week. The Commission, he said, had been unwilling to act during the longrunning row over audio-visual policy during the General Agreement on Tariffs and Trade negotiations last year. And, as a sign of the delicacies of Brussels protocol, he had also been forced to wait until Mr Jacques Delors, Commission president, had issued his own white paper on competitivity in December.

Meanwhile, the new spirit of post-

Riding a chariot of

Film maker David Puttnam wants a more dynamic

and businesslike approach, writes Raymond Snoddy

But of these only the last

offered, high employment

potential, high economic gener-

ative potential, and cultural

As US feature films continue to dominate at the European

box office, Mr Puttnam says

simply: "Either you get into it (the audio-visual business) in a

serious way or take your ball

home and find another place to

In his "fifth age", Mr Putt-nam has divided his time

between making films and

other activities - seven years

and informational influence.

fire on the screen

Commission to promote a full discus- objected to the way the Commission sion with green papers, before it could proceed to draw up policies, he added. But privately, Commission officials

admit that the delays in last week's discussion paper serve as a sorry illustration of the difficulties of even drawing up policy questions when the political devil almost always lies in the detail. After wrangling their way through three "official" drafts of the paper - and scores of "private" compromises - the real problem, they suggest, has been the linguistic sensibilities of the French and English language lobbies.

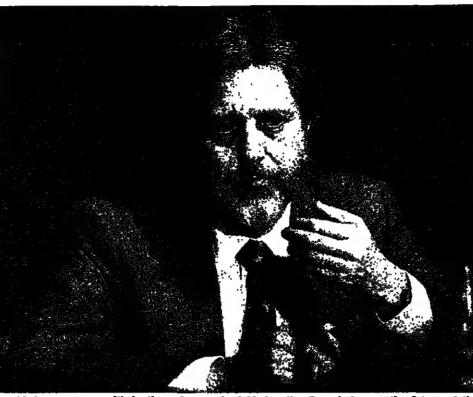
The French word faut created a

was posing its questions. Asking the industry if it "must" reform - the most literal translation of Faut-il? was, they argued simply too dictatorial. "A word like faut-il might seem like a small detail, but people are very sensitive," admitted one embattled official. He insisted that by Brussels standards, the paper had been written

An early reference to the possible introduction of a European-wide tax on cinema tickets along the lines of the French system, for example, provoked an uproar from some of non-French Commission quarters. long delay, after English speakers Although the concept survived into

fully buried at the back of the paper, with a diplomatic disclaimer stating "the Commission is fully aware of the political sensitivity. . . of any such scheme"

In the event, the rhetorical ques-tions that the document finally resorted to - such as "what should be the priority themes?" - are largely too vague to provoke much controversy. And though the final French version still reads slightly more aggressively than its English equivalent, this is unlikely to upset the French film industry which has long been pushing for a more authoritative - and interventionist - policy.



David Puttnam: more likely these days to be lobbying the Commission on the future of the audio-visual industry than to be making films

For Europeans, 'the next five years could be extraordinary or just a crushing

tries, Mr Puttnam says: "It's as president of the Campaign for the Preservation of Rural like going into the home-made lemonade business and won-England, chairman of the dering why you are not ade-National Film and Television quately competing with Coca-School, professor of film at Bristol University training An earlier Commission white young European film producpaper on competitiveness and employment, he emphasises. and trying to persuade Brusidentified only three areas sels that the time to intervene

which could create large num-"I'm happy to say no one has bers of new jobs for Europe noticed," says Mr Puttnam of the fact that he is no longer a biotechnology, energy related full-time film maker.

His "first age" in the profession was spent working in the advertising industry, followed by a period of juvenalia including rock music films. Then came the burst of frenetic energy that produced 10 films including the ones that made him famous and won Oscars.

It was followed by the disastrous time from 1986 to 1988 as chairman and chief executive of Columbia Pictures, although it was a decision he does not

Hollywood was something he needed to get out of his sys-tem. But now Mr Puttnam is trying to find ways of doing something about a European audio-visual industry that he believes is hopelessly fragmented and often equally hopelessly whimsical.

His ideas do not all involve intervention in the marketplace and the application of large sums of money. Mr Puttnam was a member of a European Think Tank of

producers and directors that fed its ideas into the Commission green paper. They put forward three main

 The first was the creation of two or three significant European-wide film and television distribution organisations appointed by competitive tender. They would be capitalised at around \$1bn each and have access to soft loans.

 The second envisages a levy on the entire audio-visual

industry to fund new production. Mr Puttnam insists that the term "audio-visual" is the correct one because it is one industry. The scale of the levy would be up to each European Union member country to

The third proposal is, he believes, the most important of all and involves a fundamental change of attitude in Europe rather than money. It is a move away from a supply-led industry to a demand-led

"The first question you have to ask is: Who is the audience for this picture? It is the last question everyone asks in Europe," says Mr Puttnam, who believes the European industry has been sidetracked

by the conceit that cinema is different" without realising that the difference equalled a niche market.

"You create a generation of film and television makers who understand the marketolace." Mr Puttnam says of the task

He tells of a friend, a Hollywood marketing director who has four staff permanently dumping every piece of available information on every potential competing film on a

By comparison, he believes, the state of research in Europe is "lamentable". While it may be a daunting task to compete head-on with Hollywood, he believes the American industry can be outflanked and, anyway, there is also the hugh potential of the educational

He finds nowhere in the UK government either a sense of urgency or a sense of the scale of the issues involved. In Brussels, the audio-visual green paper followed the normal process - after a year's work it identified questions rather

than options.

Meanwhile, in Hollywood, Mr Puttnam warns that Sony has been putting up a new building to house interactive computer programming to try to dominate the emerging multimedia industry. For the European industry Mr Puttnam believes "the next five years could be extraordinary or just

a crushing defeat".

right-wing allies aly's Northern League will of form a new Italian governut, but only if its federal, market and anti-fase to P

values are respected, Mr Umberto Bossi, the party leader, told followers yester-

Mr Bossi addressed an estimated 30,000 to 45,000 bannerwaving leghisti at an open-air rally in Pontida, the supposed birthplace of the 12th century Lombard League, in the hills near Milan.

His speech opens the final week of unsettling political limbo in Italy, following last month's elections in which a right-wing alliance of the League, Mr Silvio Berlusconi's new party, Forza Italia, and the neo-fascist National Alliance, won a clear victory over

On Friday, new members of parliament take their seats. Following consultation with the newly elected speakers for the two chambers of parliament, President Oscar Luigi Scalfaro will choose a prime minister and the real negotiations for the formation of a

government can begin. Yesterday's message from Mr Bossi to his allies in the electoral pact was raw and imcom-

For example, he said the National Alliance should "take note" that the League would not tolerate regurgitated [fas-cist] ideology". But he avoided direct attacks on Mr Berlusconi, whom he last week dubbed "Berluskaiser" in a reference to the media magnate's autocratic style, and the National Alliance, which he has referred to as "the gallows

His uncharacteristic moderation in an otherwise rabblerousing speech reflects the delicate stage of government

At the end of last week, the League and National Alliance began to lay the groundwork for reconciliation of their apparently contradictory ambitions. The League now appears ready to accept the principle that the Italian prime minister should be directly elected in return for National Alliance concessions in favour of federalist constitutional reform.

But any progress could easily be undermined. For example, the League managed to upset its allies almost immediately after Friday's positive meeting with the National Alli-

asked to form the new government - tried to paper over the differences between the allies by describing the victorious

Andrew Hill reports from Pontida, northern Italy

electoral pact as centrist rather than right-wing.
"I give my word that I will be the bearer of common sense and firmness, and will keep the tiller always in the centre," he told a political meeting in

The difficulty for any Italian premier of steering a steady course was underlined by Mr Bossi's speech at Pontida. He won a resounding Yes from the crowd for his proposal that the League act as a guarantor for anti-fascist and liberal values in any new government. But the biggest cheer of the afternoon was reserved for the old separatist threat that, if the latest democratic changes do not achieve the League's goals in a short time, "the North will simply break off" from the rest

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Kevlar; Nomex; Nylon: **Helping redefine the cars** you drive.

Under the skin of the model changes, which mark progress in the automobile industry, a more fundamental shift in thinking is taking place.

In effect, consumer expectations are causing car makers to redefine their product. In trend-setting markets, emphasis on looks and performance is giving way to new criteria - comfort, efficiency, reliability and, above all,



safety. Designers are being challenged to build-in more of each at every point in the model range. DuPont's engineering fibres are playing an increasingly

MYLON that saves lives

important part in the process.

For example, in airbag technology. DuPont has been active in the development of passive restraint systems since the early 1970s. By the year 2000, almost all new cars are expected to have them. State-of-the-art airbags made from high-tenacity industrial NYLON inflate on impact, then deflate to absorb crash energy - all in a split second. Failure is unacceptable: there are no second chances for this component. At the moment of inflation, airbags contain up to 90 litres of gas. The

special NYLON yarns DuPont has developed meet exacting specifications, but save weight and enable a 20% reduction in pack space - advantageous to designers, engineers, and ultimately drivers and passengers.

Fail-sate hose technology

DuPont materials help in other ways. Modern ngines perform most efficiently at high temperatures - the higher the better. One consequence: the mechanical and heat stress on components in and around today's power units is much greater. Engine bays are not only hotter, they're more crowded, limiting access to many components. This increases the reliability stakes: failure is not just inconvenient to drivers, it's time-consuming and stly to put right. Our VLAR para-aramid and NOMEX

meta-aramid fibres give designers the freedom of more demanding specifica-

tions for key components, such as hoses. The industry's ultimate objective is fall-safe products with a quaranteed service life. Manufacturers such as Continental, Gates, Hutchinson, Metzeler, Phoenix and Saiag are well on the way to achieving this, using KEVLAR and NOMEX to reinforce water, oil, fuel and hydraulic hoses. These set the industry standard for durability and dimensional stability. When things get hot, KEVLAR resists temperatures of up to 160°C and NOMEX 200°C, without functional alteration.

KEYLAR takes the friction

Other component suppliers, such as Goetze, Klinger and Reinz, have adopted KEVLAR as a superior, environmentallyfriendly alternative to asbestos for heavy-duty cylinder head gaskets. Despite higher compression ratios and increased cylinder head temperatures, failure of this key component is rare.

Engine performance gains have been matched by all-round improvements in handling and braking. KEVLAR in brake linings delivers smoother, more efficient stopping power in all road and weather conditions, adding to the safety margin and driver comfort. Linings also last longer and cause less wear to discs and drums, so saving



on service costs. The same qualities make KEVLAR a natural choice to reinforce clutch linings, too.

High performance where it's needed

DuPont NYLON is widely used to reinforce car and truck tyres, and KEVLAR specifically used by Michelin, Dunlop and others to strengthen modern, low-profile designs developed for high-performance motoring and the race track.



Elsewhere, the unique properties of ZYTEL-KEVLAR make an ideal plastic reinforcement. It reduces noise, is hard wearing, needs no lubrification and doesn't damage counter-surfaces. ZYTEL-KEVLAR is used by Toyota for door check bars, by the Automotive Products Co. for clutch activation

systems, and by other manufacturers

for a wide range of gears, bushes and bearing applications. All in all, DuPont materials are an

integral part of millions of cars rolling off Euro-production lines at Audi. BMW, Fiat, Ford, Lancia, Mercedes-Benz, Opel, Peugeot, Saab, Toyota, Renault, Volvo and Volkswagen. The list of applications gets longer each year - hardly surprising, given the extensive use of KEVLAR and NOMEX in motor racing and rallying, proving ground for most of the industry's advances in materials technology.

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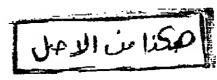


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Nato strikes leave peace in balance

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The fate of peace-making efforts in Bosnia hung in the balance last night as the Damocles' sword of Nato air strikes finally dropped.

At best, the air attacks will

bring a new realism to the Bosnian Serbs who in recent days have brazenly tested the will of the international community and exploited every sign of hesitation and departmental infighting among western gov-eraments. At worst, the Nato action will alienate Russia and thus ruin the chances of co-ordinated diplomatic action by

the Security Council. The most optimistic view of the Bosnian Serbs' bid to capture Gorazde, one of three so-called safe areas for Moslems, is to see it as a final grab for territory before bowing to international pressure and making peace with the newly established Croat-Moslem fed-

The outlines of a deal already exist the Serbs would trim their share of Bosnian territory from 70 to 49 per cent, and in return regain interna-tional respectability. But the precise contours of the ethnic divide have been left undecided, creating an irresistible temptation to take advantage of a fluid situation.

The Bosnian Serbs have made no secret of the fact that, for them, the existence of Gorazde and two adjoining safe areas is an irritant. It obstructs their dream of creating a greater Serbia by linking eastern Bosnia with Serbia proper and the Serb-controlled parts of Croatia.

There is speculation that in exchange for full control of eastern Bosnia, the Serbs would cede territory in the centre and north of the republic, where their army is overstretched and under pressure from the Moslem-led govern-

Bosnian refugees protest in Bonn yesterday, the second anniversary of war in their country

But the passions unleashed by the latest fighting - both inside former Yugoslavia and ace-making process.

Progress has been made over the past two months by a mixture of old-fashioned "superpower" diplomacy and the per-sonal authority of Gen Sir Michael Rose, the UN commander in Bosnia. The US and Russia have

largely taken over the "glamorous" side of peace-making in

policy has been compromised by embarrassing public squabbles between the Pentagon which has been hesitant about the use of force - and the State Department, which has been

Because of the political disaster which a failed intervention in Bosnia could entail. different sections of the American administration have been passing responsibility to one another, and to Gen

Nor can Russia be counted on to exercise a moderating influence over the Serbs especially now that the air strikes have inflamed passions throughout the orthodox Slav

Lord Owen, British co-chair-man of the EU-UN conference on Yugoslavia, has predicted a the current settlement plan will live or die.

If the opportunity is fumbled, it will mark the third Bosnian peace plan to have died - and will cast a shadow over the prospects for stability

EU in grip of new monetary realism

By Lionel Barber in Athens

The ERM is dead, long live the ERM. This might be an appropriate epitaph to the two-day meeting of European finance ministers and central bankers in Athens, which ended on Sat-

Barely a word passed about the old exchange rate mechanism, still less was there any talk about how to restore the narrow fluctuation bands for EU currencies - the cause for which billions of dollars and several political reputations were lost in 1992-3.

Plainly, the 15 per cent fluctuation bands in operation since the collapse of the ERM last August have won con-verts. Mr Hans Tietmeyer, Bundesbank president, was not alone in defending a system which no longer imposes obligations on the strong to intervene to prop up weaker curren-cies, but which has still encouraged the old "hard-core" currencies (Benelux and the French franc) to cluster around

the D-Mark. The "dirty float" has given everyone a respite from the speculators, but it still raises questions about the European Union's road-map to a single currency by the end of the

to European monetary union using the discipline of narrow bands to move progressively to fixed exchange rates looks out of date. So what comes next?

Athens ducked this question, but one senior EU official predicted that ministers would have to take decisions before the end of the year if the earliest date for EMU - 1997 - was to remain credible.

The most important concerns the interpretation of the Maastricht treaty, specifically article 109J which covers the criteria on inflation, budget delicits, interest and exchange rates necessary to qualify for

The treaty says that member states must respect "normal" margins of fluctuation within the ERM for at least two years, and that there must be no devaluations. But what is "normal" now that the ERM exists in name alone?

One option is to judge member states' exchange rate per-formance against the central rate as represented by the Ecu; but this would impose a tougher standard than the old 2.25 per cent fluctuation inside the narrow ERM bands, said one official.

Meantime, the accent is on

necessary corrective action to bring their economies into line. Mr Kenneth Clarke, British chancellor of the exchequer, may be criticised for his tax

rises in the UK; but in Greece he was happy to stand along-side Mr Theo Waigel, his German counterpart, as the fearless pruner of budget deficits. Nor was the mood too som-bre in Athens. One senior offi-

cial noted that for the first time in at least two years there was a widespread feeling that the European economy may be moving decisively into recov

If there was a fear, it was that the recent upward pres sure on US interest rates could cross the Atlantic, dashing hopes that the downward trend on the continent will continue Despite misleading sugges tions from the Greek delega tion, this did not translate into an appeal to the Bundesbank

to accelerate cuts in short-term "Everybody realises that this is counterproductive," an offi-

This realisation suggests a new realism about monetary union. It also underlines the extent to which the central banks are in the driving seat.

Workers set to back E German Air France sell-off 'of rescue

By John Ridding in Parts

A vote by Air France's 40,000 employees is likely to show support for a rescue plan for the loss-making airline when results are announced tonight, according to union officials at the state-owned carrier.

But they said it was still uncertain whether the margin of approval or the participa-Mr Christian Blane, the sir-line's chairman, to claim the

restructuring plan. Mr Blanc has said he will resign if he falls to receive sufficient support for his package, which he claims is vital for the survival of Air France Ris measures, which include 5,000 job cuts and a wage freeze, are designed to curb sses estimated at FFr7.5bn (£870m) last year. A capital injection of FFr20bu from the French government over the

next three years is dependent on staff acceptance of the plan-Opposition from airline workers, and a wave of violent strikes, prompted the collapse

referendum after he failed to win the backing of all 14 of the airline's unions for his resone package. His chances of success in the vote have been boosted by the support of Force Ouvrière, the largest union at the airline, and one of the six unions which signed the restructuring plan.

Mr Blanc has not specified the level of support he requires for the plan, but is thought to be seeking more

Remains of no interest'

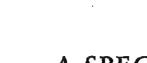
By Christopher Parkes in Frankfurt

Germany's privatisation pro-

The family silver had all been sold and eastern German companies still in the hands of the Treuhand privatisation agency were those with little hope of survival, he said in a

no matter how often it is pub

a press conference on Friday to



The remains of eastern gramme are of no interest to the German private banking sector, according to Mr Jürgen Serrasin, chairman of Dresdner

munity's stance.
"The caricature figure of a banker unwilling to open up his full money bags for needy. weaker neighbours does not become any more convincing

lished," he said. Rich and profitable German banks have been criticised recently by poli-ticisms for allegedly not doing enough to help economic recovery in the east. Mr Sarrazin was speaking at

announce the bank's annual results. Dresdner revealed a 24 per cent increase to DM2bn (8800m) in operating profits for

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Help for resettled communities to be bolstered

World Bank focuses on human cost of aid

strengthen its efforts to help people who are forced out of their homes or farms by the development projects it finances, after a year-long review of the forced resettlement resulting from its loans. Mr Ismail Serageldin, the World Bank's vice-president for environmentally sustainable development, said the Washington-based development institution had already improved its procedures but would now make sure it agreed with borrowing countries on a complete resettlement programme before a project began. Over the last seven years the bank has been involved in projects forcibly displacing about 2.5m people - mostly dams and non-bank projects have

probably displaced more than

Drugs companies should

concentrate their efforts on

developing a vaccine for Alds,

the World Health Organisation

Most pharmaceuticals com-

panies are working on Alds

treatments such as Wellcome's

AZT, rather than vaccines,

which immunise in advance of

Last week AZT, still the lead-

ing Aids drug, was shown in trials to have little if any effect

on people injected with the

virus who do not yet have the

should come even though

"pharmaceutical and blotech-

nology companies have been

reluctant to become fully com-

mitted to the development of

The change to vaccines

said vesterday

infection.

The resettlement review was

30 times as many.

The World Bank plans to

partly triggered by the bank's involvement in the Narmada dam project in India, from which it withdrew last year after months of controversy over its resettlement programmes, Publication of the resettle-

ment report comes just days before the World Bank board is due to vote on a loan for the Xiaolangdi project in China, another controversial dam to he built on the Huang He, which will displace 181.000 peo-

Mr Serageldin said that China, the World Bank's largest borrower, was now a model for resettlement, because the government had adopted its own policies that concentrate on resettling people in new jobs or land, rather than simply compensating them for the property they had lost.

The key lesson is that it works best when governments themselves buy into the idea of people-based resettlement, not

WHO urges drugs groups

research and intervention

He backed up his message

with the organisation's latest estimate for the spread of HIV.

further 1m infants have been

infected with HIV. As of 31

December 1993, over 850,000 Aids cases had been reported."

in sub-Saharan Africa, but the

region where the infection is

spreading fastest is now south

"Five years ago, fewer that

200 people in Thatland were

known to be infected. By late

1993 [the figures was] over

transmission is now by far the

predominant mode of spread,"

"In most areas, heterosexual

About two thirds of cases are

Well over 14m adults and a

an HIV vaccine", said Dr Peter he said. In some parts of the Piot. WHO's director of region, HIV is believed to be

to develop Aids vaccine

property-based resettlement," he said.

Outside environmental and development groups, however, are more critical of the extent of compulsion in China's resettlement programmes, and the bank's own report does not back up the idea that it has succeeded in meeting its resettlement goal of restoring or improving the incomes of the displaced populations.

The bank's East Asia and Pacific division was able to find only "one demonstrated example of successfully restor-ing the standard of living of people," while the Africa. South Asia and Latin America divisions said their data for judging success was inadequate or non-existent.

The report found substantial evidence, however, that displaced people are generally better off when the World Bank is involved than

spreading as fast as it did in

Dr Piot acknowledged that

science did not fully under-

stand the Aids virus and that

he saw "signs of discourage-

ment among those working on

Nevertheless, a vaccine was needed to complement existing

strategies of containment

through the use of condoms

These strategies had worked

well in Europe, with condom

use among Swiss aged between

17 and 30, for example, rising

from 8 per cent in 1987 to more

In the US, the story was

more mixed with rapidly rising

rates of infection in inner city

Africa a decade ago."

vaccine development".

and viricides.

than half in 1992.



A child looks for his father, a member of the CRS guerrilla group, during the signing of a peace treaty with the Colombian government in Flor Del Monte at the weekend. The treaty ended almost two decades of armed struggle

Latin Americans must distribute benefits of reform more fairly

ADB warns on growth hopes

Latin America's growth and are unlikely to be sustainable unless there is a fairer distri-bution of the benefits of economic growth, the InterAmerican Development Bank says.

In its annual report, released today to coincide with the bank's annual meeting, the argues: "Economic growth and modernisation are not likely to be sustainable in the absence of political and social stability, which in turn wili depend upon a more equitable distribution of the benefits of that growth.'

The message has been under-lined by the meeting's venue in Mexico, where a peasant uprising in the south and the assassination of the country's leading presidential candidate this year have increased concerns about social stability.

The meeting will concentrate on discussions to finalise a \$40bn (£27.3bn) capital increase for the bank, which will allow it to expand lending to \$7bn-\$8bn a year and take its total capital past \$100bn.

held up early yesterday by a disagreement between European shareholders and Latin American shareholders about an extra seat on the board for Chile. European governments have argued that if Chile increase its stakeholding in the bank - as many of them, with the exception of Britain.

are positive, the bank says. The region enjoyed its third successive year of economic growth last year, with the regional economy expanding 3.3 per cent. Growth in 1992 was 2.9 per cent and in 1991 3.7 per cent

The conclusions of the North American Free Trade Agree-

Capital increase held up by row over extra seat on board

are proposing to do.

The annual report says economic reforms adopted to date were essential to social development in that they encouraged investment and growth, thereby bringing about a more egalitarian distribution of income. But the reforms must also be broadened to tackle social policy - improving the efficiency of government action in social sectors, assisting education, health and nutrition and reducing pov-

Nonetheless, the prospects

of multilateral trade talks and the momentum of marketoriented reforms support the positive expectations, the

Some \$65bn of net capital flows entered Latin America last year, exceeding the region's current account deficit and allowing a build-up of international reserves by some \$23.9bn. The region's current account deficit was \$42bn about 3.8 per cent of regional GDP, as the overall trade deficit expanded to \$17.7bn last year from \$10.6bn in 1992.

result of continuing rapid growth in imports - 9.1 per cent in 1993 after 18.2 per cent in 1992 - although exports also grew, by a more modest 3.6 per cent in real terms. The report remarks on nota-

ble declines in import activity in Argentina, Mexico and Venezuela that "is generally ssociated with a transition to more sustainable rates of out-put growth". Import growth had been fuelled throughout the region by "the vigorous demand for capital goods".

The bank authorised \$5.96bn in new loans last year, slightly below the 1992 figure of \$6.02bn. Its last capital increase was agreed in 1989 of

The bank expects to raise \$3.3bn in international borrowings this year, compared with \$3.9bn in 1991 and \$5.1bn in 1992. The bank repaid last year nearly \$1bn equivalent of high coupon borrowings, against \$1.1bn in 1992.

This year's lower borrowing expectations reflects lower debt repayments and the need to make only small additions to the bank's cash.

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Pakistan and US deny deadlock

By Farhen Bokhari

Pakistan and the US yesterday concluded talks without progress on Washington's proposal to supply up to 38 F-16 fighter aircraft in return for a verifiable cap on Islamabad's alleged nuclear weapons programme.

However, the departure of Mr Strobe Talbott, US deputy secretary of state and the most senior US official to visit Pakis tan for almost six years, was followed by a joint statement in which both sides played down any suggestion of a des lock. The two countries said they would continue efforts towards halting, then reducing and finally eliminating weapons of mass destruction and ballistic missiles in South Asia. But they gave few indications on specific steps to promote

that goal. Mr Talbott's arrival in Islam-abad followed weeks of speculation over Washington's latest efforts to encourage Pakistan to open its nuclear facilities for a one-off inspection, to verify that the programme is capped at a level below that required to produce fissile material. In return, Washington

offered to supply up to 38 of the 71 F-16 fighter aircraft which Pakistan had ordered four years ago. Despite Islamabad's payment of almost \$650m (£445.2m) towards the \$1.4bn dollar deal, their delivery has been blocked by concerns over the nuclear issue.

The US offer was rejected by Pakistani leaders including Gen Abdul Waheed, the chief of the army staff. Islamabad says any move to open up unilaterally its facilities without forcing India to do the same would compromise security interests.

However, both sides empha sised that they had much in common as a basis for close relations. "The end of the cold war has unquestionably put ome strain on our relationship these past few years," acknowledged Mr Talbott, in a reference to Pakistan's role in former US attempts to resist



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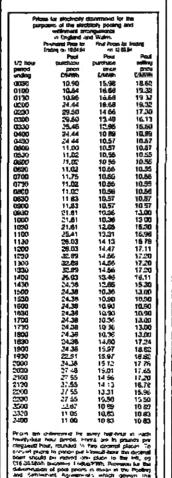
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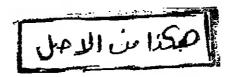
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NEWS: INTERNATIONAL

Skeleton in Hosokawa's cupboard may be a dummy

The past few days have provided tragi-comic proof that nothing is quite what it seems in Japanese pol-

The skeleton that prime minister Morihiro Hosokawa found in his cupboard, startling him badly enough to resign, appears, by his own account, to be a dummy.

Suspicions over his personal finances were "just a trick". Mr Hosokawa told fellow members of the Japan New Party on Saturday, according to the Asahi Shimban, the left-leaning daily newspaper.

The real reason for giving up the prime ministership was to break up the opposition Liberal Democratic

Party, he was reported to have said. The Asahi offered no explanation of this baffling news. Yet it should be believed. The Asahi must be a reliable newspaper, because Mr Hoso-kawa started his career as a journalist there before going into politics.

All this is, however, in keeping with the quirky events leading up to Mr Hosokawa's announcement last Friday. At dinner with two professional comedians-turned-politicians early in the week, he joked that he wanted to stand down. He denied he said it a few hours later, and then really did say it at a cabinet meet-

Not surprisingly, Japanese newspapers were buzzing with specula-tion over the weekend about exactly what prompted Mr Hosokawa's final

Mr Hosokawa indicated, tantalisingly, that he uncovered irregularities in investments made on his behalf in the early 1980s by a close friend. This, he hinted, went deeper than the LDP's two accusations of accepting an improper political loan from Sagawa Kyubin, a trucking firm, and trying to cover up a share transaction, both of which Mr Hosokawa denies.

The explanations offered by the Japanese media are bewilderingly various. NHK television claimed that Mr Hosokawa invested Y80m (\$8,000) unwittingly, with a loan shark, contravening a law against

Another version, provided by the Mainichi Shimbun newspaper, is that Mr Hosokawa's friend, an investment consultant and company president, offered to obtain a guaranteed 12 per cent annual return on Mr Hosokawa's behalf to help him raise the cash needed to form an LDP faction. They met in 1980. according to the Mainichi, when Mr

upper house of parliament and the friend became a "fan". The problem with the Mainichi's version is that Mr Hosokawa never did form an LDP faction. He did in 1992 leave the LDP to form a party, the Japan New party, dedicated. among other things, to breaking the cosy, often corrupt. links

Hosokawa was a member of the

The potential legal problem is in any case too trivial to warrant resignation. At worst, the friend might not have had a licence as investment manager. But the law on

investment managers has a threeyear statute of limitations - and all this was supposed to have happened at least 10 years ago.

Yet another version, supplied by the Japan Times, is that Mr Hosokawa's fund manager, the publisher of a monthly economic magazine. invested around Y60m, derived from the sale of land that Mr Hosokawa mer prime minister Prince Fumimaro Konoe. The investment per-formed badly, and was worth only Y10m by 1991, claimed the Japan

Mr Hosokawa was said to have been introduced to this triend by his own private secretary, Mr Masatoshi Miyama, who left Mr Hosokawa's employ under a cloud in 1991. The prime minister has refused LDP demands to allow his former secretary to be questioned in

Speculation is rife that Mr Miyama knows what dark secret it really was that prompted Mr Hosokawa to resign. On the other hand, there is a school of political gossips who prefer the simple alibi – that Mr Hosokawa had simply lost patience with the aggressive LDP's

Algeria devalues in deal with IMF

The Algerian government, struggling with a collapsing economy and hostility from Moslem fundamentalists, is to devalue its currency by 40 per cent and raise interest rates as part of a programme worked out with the international Monetary Fund, AP-DJ reports from Algiers. Mr Michel Camdessus, IMF

managing director, said on Algerian television the pro-gramme – which also includes a timetable of measures to open up the Algerian economy – would allow Algeria to draw \$10n immediately from the IMF under a one-year stand-by

agreement. He described the emergency programme as "sound and courageous" and said the IMF also stood ready to work out a longer-term, three-year adjustment programme to ensure Algeria's economic recovery

was deep-rooted.

The Algerian dinar, which is not convertible outside the country, had already been devalued by 7 per cent against a basket of foreign currencies a week ago. The new official exchange rate of the dinar is 36 to the dollar and about six to the French franc. On the black market recently, the franc changed hands at up to 16-

The IMF deal is expected to free loans from other lending agencies, including \$175m from the World Bank and \$180m from the European Union. Japan is also understood to be considering a \$150m loan.

The stand-by agreement will clear the way for Algeria to start negotiations with creditor governments and banks on rescheduling part of its \$26bn external debt.

Previous Algerian govern-ments had refused to consider a rescheduling accord, arguing that it would turn off the flow of commercial bank lending that the country so badly needs to finance its hydrocarbons industry. Oil and gas exports account

for 98 per cent of Algeria's export revenue, and the country has been crippled by the weakness of the international oil market that has pushed the price of crude oil down to around \$14 a barrel. Officials said the IMF had

initially been pushing Algeria for a 60 per cent devaluation. The immediate effect of the devaluation will be to increase sharply the cost of imported goods, especially food. In dinar export earnings will be increased considerably The economic adjustment

programme agreed with the in interest rates set by the Bank of Algeria, although they will remain below the official inflation rate, which reached 25 per cent in 1993. The official rate is based on a narrow range of goods and services, however, and experts say the actual rate of inflation is much

Prospects for peaceful S Africa election worsen

Prospects for a peaceful election in South Africa appeared dim last night after the country's political leaders acknowledged the failure of last Friday's peace summit. and Inkatha leader Mango-suchu Buthelezi predicted this would lead to further blood-

African National Congress leader Mr Nelson Mandela, speaking at a rally to mark the nation of ANC leader Chris Hani, said he would seek a further meeting with Zulu King Goodwill Zwellthini despite lack of progress at the summit. He said the ANC had offered King Goodwill "the same rights as Queen Elizabeth of Britain", but the king had rejected his proposal.

Mr Mandela was addressing

some 15,000 ANC supporters at the Orlando football stadium in the black township of Soweto. They laughed and jeered when he said he had asked the Zulu King three times whether he wanted "the same rights as Queen Elizabeth or more rights than Queen Elizabeth enjoys". but was unable to obtain a clear answer. "In spite of that. I am working for peace," he said, "because our people in that province (Natal) are dying

However most political analysts said they believed last

gunmen firing from a car and a

motorcycle assassinated the

country's top anti-terrorist offi-

cial as he left his home near

the Giza Pyramids, security

officials said yesterday, AP

The killing over the weekend

was the most daring operation

carried out in Cairo in the two-

reports from Cairo.



Nelson Mandela comforts ANC leader Chris Hani's widow

Cairo anti-terrorist chief killed

politics. Local newspaper headlines proclaimed "the end of the road", with few commentators confident that a political solution could be found to the ANC-Inkatha dispute before

cals to overthrow the secular

government and turn Egypt

It showed that, despite gov-

ernment claims to have curbed

the extremists, they were abla

to strike in the capital and kill

the official assigned to destroy them. Maj Gen Raouf Khayrat

was deputy chief of state secu-

into an Islamic state.

The ANC-dominated Transi-

watershed in South African tional Executive Council, the multi-party body which oversees government ahead of the April 36-28 elections, is expected to take stronger measures against the KwaZulu government this week, in the wake of the failed peace summit and in

religious terrorist activities

village of al-Qusiya.

"The quality of

our people and

a premier Fife

location enable

us to provide

the service

demanded by

our customers."

In the radicals' stronghold in

southern Egypt yesterday.

police said unidentified gun-

men killed a policeman in the

The Islamic fundamentalist

extremists regularly kill police

in southern Egypt but the slay-

ing of Gen Khayrat was the

could vote freely in the prov-To overcome obstacles to voting, the IEC said it would erect polling stations on the borders of the KwaZulu homeland, where Inkatha's election boycott campaign is strongest. This would permit KwaZulu residents to travel to peaceful areas to vote. However such measures are likely to have lit-

Freedom Party, Chief Buthe-lezi, predicted further bloodshed, saying: "I have never seen the level of anger (among my supporters) as high as the current level."

emergency has not quelled vio-lence. Some 144 people have

died in Natal since the emer-

gency came into force 10 days

The leader of the lukatha

Violence has cast doubt over the prospects for elections in the province, but South Africa's independent Electoral Commission, charged with conducting the poll, made clear at the weekend that elections would go ahead none the less. Mr Roelf Meyer, the government minister believed only 60 per cent of Natal's population

tle impact, as Inkatha militants will prevent voters from believe they are going to vote.

ANC officials say interna-tional mediation of the country's constitutional dispute is

thrown at a tourist bus last

December, wounding eight

Austrians and as many Egyp-

been killed since the radicals

started their violent campaign in January 1992. Most have

been police or radicals killed in

battles, but the extremists also

have attacked officials, tourists

and members of the Coptic

Christian minority. Four for-

eign tourists have died.

More than 350 people have

ing possible factional strife and social unheaval. Prominent figures in the dissident community are far from alone in predicting that Mr Deng's death either within the leadership itself or in the streets. Mr Liu Xiaobo, the writer and philosopher accused by the authorities of being one of the "black hands" behind the Tian-

pro-democracy activist at the centre of

the dispute between a moderni-

sing China and the west, occu-

pies a position in modern Chi-

nese history that even he

who is being interrogated for so-called "new crimes", might

seem oddly dysfunctional

given the stakes involved; but

his treatment is consistent

with the government's general

approach in this uneasy cli-

mate amid persistent reports of

industrial and peasant unrest.

faces enormous political chal-

lenges in the next several

vears as it makes the transi-

tion to a new generation of

leaders now that the ailing Mr

Deng Xiaoping has virtually shuffled off the stage. Waiting for Mr Deng to die

has become something of a

national preoccupation, feed-

ing leadership anxieties about

a whole range of issues, includ-

The leadership knows it

anmen pro-democracy protests of 1989, echoes the views of many of his dissident colleagues when he says: "As Deng Kiaoping approaches death people feel a palpitation in their hearts. Everybody feels that something big is going to happen. But no one is sure

This may be merely wishful thinking on Mr Lin's part since a tiny, fragmented dissident movement is hardly in a position at present to organise national disturbances, but activists are more than capable

Dissidents feel lashes

of nervous leadership

China is suffering from strain of uncertainty ahead of Deng's death, writes Tony Walker

perhaps cannot quite appreci-ate, and certainly could not France signalled its irritation at the weekend over a further have imagined when he embarked on his lonely crurash of dissident arrests, sade almost two decades ago. China's apparent readiness including the detention in Beito jeopardise access to its most jing of In Weuli, a prominent figure in the "Democracy Wall" protests of the late the actions of an individual is 1970s, Tony Walker reports. an indication of just how seri-ously the Chinese leadership Reports also surfaced of views threats to its authority additional arrests in Shanghai in this uncertain phase. Beijing's pursuit of Mr Wel.

on the eve of the arrival there of Mr Edouard Balladur, the French prime minister, on a feur-day visit to China. Mr Alain Juppé France's for-eign minister, indicated grow-ing French disquiet that "we've got to the point where we are not appreciating this". However, Mr Balladur had attracted criticism in France

that "being efficient [on human rights] very often means being discreet". China denied it had arrested more dissidents during Mr Balladur's visit, saying reports were "completely groundless".

for his failure to speak out on

dissidents. Earlier he had said

of taking advantage of any hint of chaos that might arise from a weakening at the centre. The leadership's quarrel with Mr Wei is not that he heads anything approximating

an organisation, but that he symbolises, more than any of fection with the established order, and daringly he appears prepared to confront. He has also captured attention in the west which is no small achievement for someone who speaks no English and who was hidden from view during a 14-year jail sentence from 1980 to 1993.

His meeting in Beijing recently with Mr John Shattuck, the US assistant secretary of state for human rights, his re-arrest. Chinese officials described the encounter as an intolerable affront and muttered darkly about US envoys meeting "criminals" - Mr Wei was still on six months' parole after his early release from jail last September.

A western official in Beijing, who monitors the dissident community, says that while dissident numbers are "very small", "the thing that worries the government at the moment is that conditions are ripe for recruiting new people". These concerns appear to be especially acute where the labour movement in concerned.

The authorities showed little tolerance recently when labour activists petitioned them to be allowed to establish a non-government group known as the "Association for the Protection of Labour Rights". The organ-isers were summarily detained and their request dismissed. The last thing Beijing wants at this traumatic moment for state industries, with thousands of workers being laid off or placed on subsistence wages, is the emergence of an overtly political organisation like Poland's "Solidarity".

The authorities also stamped on an attempt by a disparate group of activists to promote a "Peace Charter" which called on the Communist party to respect human rights and introduce political reform. Qin Yongmin, the chief sponsor behind this attempt to spread democratic ideals, was sentenced earlier this year to two bour for "disturbing public order and security". Whether Wei Jingsheng will

suffer a similar fate, or worse, is unclear. Whatever the authorities have in mind for him, however, his name will not disappear from the human rights debate, and nor are tensions between China and the west over such issues likely to recede as long as a nervous leadership feels under pressure to respond to almost every challenge to its authority.

deeply angered the authorities INTERNATIONAL PRESS REVIEW

Buthelezi cast as a demon

SOUTH AFRICA By Patti Waldmeir

> Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party, is a public relations disaster, but that is only half the reason that he has featured - this week like every week -as a demon in most South Afri-

Most of the South African media - like the majority of the country's citizens - are frantic to put apartheid behind them once and for all. Elections must take place on April 26-28 as planned, and be declared free and fair, whatever the evidence to the con-

trary.
That is what the country wants and that, in mirror image, is what the media wants. So it takes no great foresight to predict the line which most leader writers will take in the aftermath of elections: there were isolated problems (like Natal. where one quarter of the population lives); but overall, polling was free and fair. In short, a triumph for democracy, they will say, and one which only a demonic tyrant (the likes of Chief Buthelezi) could wish to

The crudest demonisation of the Chief comes, not surprisingly, from this week's Sunday Nation, virtually the mouthpiece of the African National Congress. Under the headling "Nothing will satisfy Gatsha Buthelezi", the paper's leader



writer comments on Friday's failed peace summit between

the country's four top political leaders. President FW de Klerk, ANC president Nelson Mandela, Chief Buthelezi and his nephew, the Zulu King Goodwill Zwelithini.

The Sunday Nation asserts categorically: "there is absolutely nothing that the ANC and the government could possibly do to satisfy Inkatha leader Mangosuthu Buthelezi". going on to conclude that summits with Buthelezi are nothing but a blatant waste of taxpayers' money", and that the only reasonable thing to do is to ignore Buthelezi and move ahead with the transition

No other newspaper is so

blunt in its condemnation. But the message is the same from most others nonetheless: Chief Buthelezi wrecked the summit. for reasons which are incomprehensible to most leader writers. They implicitly accept the ANC's view of the summit: that the Zulu King was offered everything he could ever have wanted by the ANC - the Sunday Times, the most widely read South African newspaper,

says he could have become "a constitutional monarch in KwaZulu Natal with all his rights, privileges and status entrenched" - but this magnanimous offer was inexplicably rejected by Chief Buthelezi, on the king's behalf.

Few point out that the offer would have guaranteed the

and that the monarchy's communal lands - the crux of the dispute - would have become assets of the state. It is simply not fashionable to take the king's or Chief Buthelezi's complaints seriously.

However, the Johannesburg

daily Business Day regularly gives lnkatha's concerns a fair hearing, and some Durban newspapers - including this week's Sunday Tribune, which bemoans "a failure in statesmanship all round" - also adopt a more balanced

But there remains a marked tendency among leader writers and radio commentators especially the popular Johannesburg station Radio 702's

Election Watch commentary to believe that the ANC has bent over backwards to satisfy Chief Buthelezi (an impression cleverly and vigorously promoted by ANC officials), and that he has spat upon their magnanimity. There was scant local con-

demnation of the fact that

ANC president Nelson Mandela

refused to allow police (bearing a legal search warrant) to

enter ANC headquarters to

investigate the murder of Zulu marchers who were shot by ANC security guards in the recent "Battle of Johannesburg". Most media condemned Chief Buthelezi for that battle despite the fact it was mostly pro-Inkatha marchers who died, and that all evidence suggests they did not fire first. But if most media agree that Chief Buthelezi is wrong -largely his own fault for failing to convey his position more effectively - at least there seems to be a growing consensus that he cannot (pace the Sunday Nation) be ignored. Even the liberal Johannesburg Weekly Mail, the flagship of the alternative press which bravely fought apartheld, solution to the problem of Chief Buthelezi. True, the

argues for a constitutional paper wants a mailed fist used against violence in Natal (through measures which the paper opposed when used against the anti-apartheid movement); but it recognises that this will not be enough. Politics, not might, must provide the ultimate solution.

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alue US buyers sought for parts of British Coal

i mining groups may become mers of significant parts of the British and the Br

arketing drive in the A decade after the year-long miners' rike over planned pit closures, the prenuent's financial advisers are uping to attract US groups to buy arts of British Coal when it is privated by early next year. Details of the invatisation are to be published later its upoak

Government advisers believe US-

among overseas groups to tender to buy parts of British Coal, in spite of the sharp decline in demand for coal in the UK. Bids from abroad would considerably increase the selling prices of the five regional groupings of pits to be privatised.

The numbers of UK companies considering bids are growing, but so for only two foreign groups have expressed interest publicly. Both are North American.

Jim Walter Resources, of the US, is part of a consortium involving the Union of Democratic Mineworkers considering making bids.

Alcan, the Canadian aluminium company, has teamed up with Ryan Group of the UK to study the feasibility of a bid for the north-east region.

The government, advised by N.M. Rothschild, hopes to stir up interest among other US companies such as Consol, Cypress Amax, Ashland Coal

Companies throughout the world will be sent details of the sale. However, it is thought that the South Africans will be constrained because of their shortage of foreign exchange. Australian companies such as BHP are believed to be more interested in extending their Asian interests.

Lancer Boss Group, one of the

UK's biggest privately-owned

manufacturing companies and the last big UK-owned pro-ducer of lift trucks, called in

receivers to its UK trading

The move, prompted by a disagreement with German

banks over expansion plans,

Lancer Boss by the two foun-

ding brothers and owners, Sir

Neville Bowman-Shaw and Mr

likely to generate intense inter-

est among rival lift truck man-

ufacturers and could herald a

new round of consolidation in

Lancer Boss, based in Leigh-

ton Buzzard, Bedfordshire, has

annual sales of about £180m, 1,200 employees worldwide -

including 700 in the UK - and

one of the widest and most

The sale of Lancer Boss is

Trevor Bowman-Shaw.

the lift truck industry.

operations over the weekend.

The US coal industry is in a period of consolidation, with many energy companies selling coal properties.

Mr Paul Chellgren, president of Ashland Oil, the company that owns 41 per cent of Ashland Coal and has interest in Arch Minerals, another US coal producer, said US companies might be interested in bidding for British Coal properties, but only

under certain conditions. He said: "If the purchase opportunity came with guaranteed sales contracts with prices and volumes that would allow the properties to gener-

Lift truck maker Lancer

outspoken executives in UK

industry, yesterday told the

Financial Times: "I hope the

group is welded back together

again, although it will be

Sir Neville said a receiver

was appointed on Friday for

Steinbock Boss, after the unit's

banking group, led by Bayer-

ische Hypo-Bank, withdrew

their support from the Moos-

burg-based producer which

Later on Friday, to protect the British companies in the

Lancer Boss group, Sir Neville asked British banks led by Nat-

West to appoint a receiver for several British subsidiaries. Mr

Allan Griffiths of Grant Thorn-

ton has been appointed

receiver and has spent most of

the weekend at the company in

Leighton Buzzard with a team

have been planning to link up

with a big strategic link-up

with a non-German company,

of 20 people.

Lancer Boss bought in 1983.

under new ownership.

Boss calls in receivers

British Coal has contracts to sell more than 30m tonnes of coal a year to UK electricity generators, but they expire in 1998. Mr Chellgren said many coal companies would be put off by high costs of mining in the UK, but added: "If the deal was economically viable, someone would take it."

Another coal executive said his company was "unlikely to make a bid for companies that do not have long-term contracts. It comes down to what price they are willing to take."

Hanson and RTZ, both UK-based companies with wide international interests, have indicated coolness

truck producers with which

Lancer Boss has business

links, such as Komatsu of

However the German banks

may have wanted to see Stein-

bock, which has been hard hit

by recession to link with

Jungheinrich, the Hamburg-

based fork lift producer which

is ranked third biggest in the

world, after Linde of Germany

Lancer Boss had pre-tax profit of £4.7m on sales of

\$200m in the year ended April.

It was expecting a big loss this year, but Sir Neville said the UK companies had been trading profitably for two years

and Toyota of Japan.

returned to profit.

Britain in brief



Unions urge minimum wage policy

Britain's opposition Labour party is under pressure from some trade union leaders to set its projected national minimum wage as high as £4.05 an

But the party said such a figure would never gain sup-port on its national executive committee, adding: "There are no proposals to change policy and there is no proposal to set a figure for a national mini-

mum wage." Labour faced criticism during the last general election over its policy of a national minimum wage of £3.40 an hour and any suggestion that the level be set at more than this would prove controver-

The Confederation of British Industry has warned that a minimum wage could cost industry up to £50bn a year, with the loss of 100,000 jobs.

£50m revamp for Selfridges

Sears, the retailing group, is planning to spend E50m over three years on its Selfridges department store in London's Oxford Street.

and Steinbock had just The investment is on top of Mr Griffiths will talk to the £12.5m spent last year on creating a new escalator well from the basement to the fourth Lancer Boss workforce today. He is still examining the company's trading strategy and the status of Steinbock Boss. But floor at the store's eastern end. and £2.5m on new electronic he had no doubts that Lancer sales terminals. That means total investment will be 265m Boss would be sold as a going

Upbeat view on economy

The British economy will enjoy robust growth and low inflation this year and the goveroment has no pressing need either to cut or raise interest rates, according to an independent panel of forecasters using the Treasury's computer

model of the economy.

The Ernst & Young Item
Club said its latest "central forecast" predicts both growth and inflation will average 2% per cent this year and that unemployment will continue to fall from 2.76m in February to 2.6m in the final quarter of 1994 and, ultimately, to 2.24m in mid-1997.

The Item Club also said fears on financial markets of an imminent rise in UK interest rates "are unfounded".

'Low' rises in managers' pay

UK management pay rises have averaged only 2.8 per cent over the past 12 months, the

lowest level since 1975. The Reward Group, the inde-pendent pay analysts, said the average figure for the past four months was down to 2.3 per cent. But Reward expects the next 12 months to show a healthier increase, forecasting a rise of about 3.2 per cent for

Cantona wins players' award

French international Eric Cantona yesterday became the first overseas footballer to be named Britain's Player of the Year. The Manchester United star topped the poll, organised by the Professional Footballers' Association, shead of Newcastle United's Peter Bearsdley and Alan Shearer of Blackburn Rovers.



r Neville Bowman-Shaw, co-founder and chairman of Lancer Boss, said yesterday that he hoped a group could be "welded back together" under new ownership

already set up steering committees in preparation for the works councils with their

mainland-Ruropean colleagues

in 12 British-owned enter-

prises. These are Unilever,

Coats Viyella, Reed Interna-tional Elsevier, Cadbury Schweppes, Watmoughs Hold-

ings, Ferguson International

Holdings, BPB, Lucas Indus-

tries, GKN, United Biscuits,

Guinness and GEC-Alsthom

met their European counter-

and five more British compa-

nies are also being targeted by the European trade unions.

Mr Nick Clark, who co-ordinates the British union

works council campaign with a

£190,000 grant from the EU, estimates 12 mainland-Euro-

pean owned transnationals aiready have British union representatives involved in their

works councils. As many as a further 34 mainland transna-

tionals have UK union repre-

sentatives sitting on joint

union steering committees, including Phillips, Heinz, Coca Cola, Ford, Kelloggs, Pirelli, Levi Strauss, General Motors, Rank Xerox, Otis and Electro-

which is a joint venture. In a further nine companies British unions have already

Mushroom

growers rap Irish imports

British trade unions have being undermined by cheap about 1,000 job losses since 1988, UK growers claim, Debo rah Hargreaves writes.

> Mushroom production in Ireland has increased by 92 per cent since 1988 to 43,000 tonnes, with the bulk of this exported to the UK because mushrooms only have a shell life of about two days.

industry's jobs have been lost in the past six years as prices have dropped to just below £1,000 per tonne from about £1,300 a tonne in 1988.

modern product ranges in the

British mushroom prices are

The European Commission called on the Irish government to stop illegal tax breaks for its mushroom growers by the end of last week. It is still investigating the legality of a 21.3m market development fund which was set up to help trish producers compete after the devaluation of sterling in

British growers estimate that 13 per cent of the £200m

Increases in Irish production are part of a larger structural surplus within the European Union. British mushroom growers wrote to the commis sion last week to warn of the crisis facing the EU industry and asking for imports from countries outside the EU to be



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Unions target companies over vorks councils

'hit list' of transnational panies operating in the UK been drawn up by Britain's des Union Congress (TUC) ch claims they will have to oduce company-wide works acils for their employees by

nder a European Union t directive expected to be oved by all member states pt Britain by the end of year, every company or strial group employing at 1,000 workers in the EU, 100 in at least two of the ber states, will have to duce a works council for

final version of the direcis expected to be comi this week by EU social

tain will be directly bed despite its opt-out the social chapter of the richt treaty in 1991. The overnment will not take with the other II EU er states in the decision ahead with the directive, will cover European mies with plants in n as well as Britishtransnationals with ions on the continent.

711

FINANCIAL TIMES

A new newsletter from the Financial Times

Newsletters will be launching a new newsletter in 1994, designed to ntain only the sharpest news and statistics about the automotive mponents industry. It will probe beneath the surface of the industry and ply its subscribers with the practical intelligence they need to keep

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JOGGERS' GUIDE: Istanbul

Run around

A passenger's kinda town

Chicago's airports act as a gateway to the rest of the US, says Laurie Morse

more business travellers to America's heartland. For most of them, Chicago is the gateway to other, less populous

Although there are cheap flights to

sider using the city's second airport, Midway. Served by 16 domestic airlines, many of which are short-haul carriers with cut-rate prices. Midway gives budget-con-

scious business travellers easy access to places such as Detroit. Kansas City, St Louis, New

Orleans and Dallas. And for weary travellers concluding business in Chicago and looking for a warm-weather holiday destination, Midway offers a handful of carriers, with names such as Kiwi and Private Jet, which specialise in flights to Florida. These airlines can be more flexible than the big carriers, making it on notice of a day or two for a round-

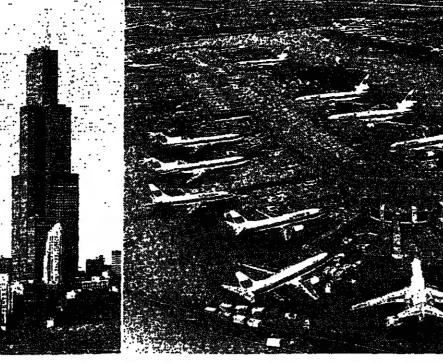
he steady globalisation of trade and the stirrings of economic recovery in the US and Europe are bringing war relic with only two restaurants and, because it is offers only domestic flights, no duty-free shops. Conference rooms and business services are not

other US destinations from Chicago's o'Hare Airport, travellers should contain than those from O'Hare, and the ter-

minal. which served 6.3m pas-At Midway, travellers sengers last year compared with O'Hare's 66m, is have their pick of some of the most less congested and entrepreneurial US quicker to pass airlines, the leader Midway is an being Southwest

> south of O'Hare and a 20-minute drive south of down-town Chicago. It was connected by rail to the city centre late last year. You can board a Chicago Transit Authority train (the orange line) in downtown Chicago and, for \$1.50, ride to Midway in about 30 minutes. The trains are the newest in Chicago, and have special racks for luggage. At Midway, there is a five-minute walk through a covered walkway from the

train stop to the airport. Any travellers with stamina and



Chicago: from its airports, which include O'Hare International (right), you can reach many other parts of the US

- board a CTA train in O'Hare airport (the blue line), travel into Chicago, change to the orange-line train at the new, Helmut Jahn-designed State of Illinois building (the Clark/Lake stop) and continue south to Midway in about 90 minutes.

Midway can also be reached from Chicago by scheduled minibus service from most downtown hotels for about \$10. while a taxi ride takes about 40

minutes and costs about \$25 Construction on the main highway leading to Midway this summer will extend driving times to more than an hour, making the train an attractive alternative. Long-term parking is available at the airport for \$6 a day. Once at Midway, travellers have their pick of some of the most entre-

preneurial airlines in the US. South-west Airlines is the leader: for the past three years, the Dallas-based carrier has won the US Department of Transportation's designation as best US airline for on-time performance, for baggage handling and for fewest customer complaints. Its success has forced the big carriers to rethink their policy and pricing on competitive routes, generating cuts in fares to

many US destinations. International business travellers who have to use O'Hare can still benefit from these cut-rate domestic flights, American, United Airlines and other large US carriers now offer flights from O'Hare to other US cities at prices designed to compete with

Connections to these domestic flights can be made by taking the "people mover" from O'Hare's new international terminal to domestic terminals two and three. The lightrail transit ride between terminals takes about five minutes and is free.

and recreation areas, many of which are a taxi ride away. The municipal public parks are reasonably well-maintained with varying ratios of paved pathways to grassy areas. On the European side, there is Yildiz park. The open spaces their Midway-based rivals. and greenery in the grounds of

its namesake palace are a 15-minute taxi drive from the main hotels. Gülhane park incorporates a small zoo. Many of the larger parks have, or are near, kiosks and cafes, where lost fluids can be replaced with fresh juices. The smaller "parks" tend to be

> roundabouts or traffic junc-tions, such as Taksim - sufficient for a short, if uninspiring, stretch of the legs. Emirgan park and Naciye Sultan Kurucesme are good running areas close to the Mövenpick hotel in the business district, where the new stock exchange and bond mar-ket are being built.

paved squares in elongated

poorly lit streets, precipitous

pavements (where they exist)

So head for the public parks

and uneven surfaces.

On the Asian side of the Bos-porus are the Beykoz Abraham Pasa park, the Gubukla and Gamlica parks and, out towards the airport, the Florya Ataturk Ormani coastal recreation area.

If you can manage only one outing, set aside an afternoon to visit Belgrad Ormani (the minutes from the city centre. Among the wooded picnic and amenity areas, you can take a



jog around history - the seven Byzantine and Ottoman reservoirs - and admire the breathtaking Moglova aqueduct. It however, when picnickers clog the more pleasant areas with campfires and barbecues.

If jogging does not appeal, the five-star hotels all have swimming pools and/or well-equipped health and fitness centres. The pools at the Swissôtel and Dedeman are the

best for length swimmers. For replenishing energy lev-els, the health-conscious will find that dried fruits, including figs. apricots, mulberries and sultanas, are readily available. Most food stalls and shops offer light, unprocessed yoghurt and untreated nuts.

While in Istanbul, take advantage of the continuing weakness of the lira to stock up on sports wear. An extensive range of branded sports apparel is made in Turkey under licence. The choice is wide, the quality good and prices low, at about TL730,000 (£19) for Rechok running shoes and TL450,000 for Adidas lightweight jogging trousers.

Anne Counsell

Mr Kazim Arik, parks and gardens department, Istanbul Municipality, tel: 514 0882

Detection of bombs

The world's first automatic bomb detection system for airline luggage is being installed by BAA, which runs most UK airports.

The new equipment devised on government orders after the 1988 bombing of a Pan Am aircraft over Scotland uses computerised X-ray machinery to analyse materials and match them to profiles of explosives, says BAA. A suspect bag will be examined by sensors that detect explosives' vapours.

BAA says the equipment can check up to 20 bags a minute and will not prolong existing check-in procedures The system will be positioned



in the baggage-sorting area. to examine luggage after it has been checked in.

The system has been on trial at Glasgow airport and will initially be installed at London's Heathrow and Gatwick airports to check international transit baggage. It will be installed to screen all hold luggage at BAA's

seven airports by 1996 at a cost of £150m (\$220m).

777 unveiled

Boeing, the US aircraft manufacturer, raised the curtain on Saturday on its new twin-engine 777 aircraft, the company's most ambitious development project since the 747 jumbo jet.

Boeing executives said they saw the wide-body 777 as the beginning of a "family of airplanes" that will meet airline needs for the next 30-50 years, and maintain the company's worldwide 65 per cent market share against rivals Airbus Industrie and McDonnell Douglas.

The aircraft is scheduled to make its initial flight in the first week of June. The first commercial model is to be

delivered to United Airlines in May 1995. Boeing so far has received

147 orders for the aircraft, which sells for between \$116m and \$140m. Analysts have said Boeing needs to sell about 300 aircraft to break even on the initial production cost, which they have estimated at \$4bn - a sum being shared by three

Greek strikes

Greece this week faces the threat of strike action from groups opposed to the Socialist government's proposed tax law. The threat comes from civil servants, taxi drivers, members of the medical profession, investment impanies and the country's biggest union, the General Confederation of Greek Labor

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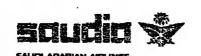


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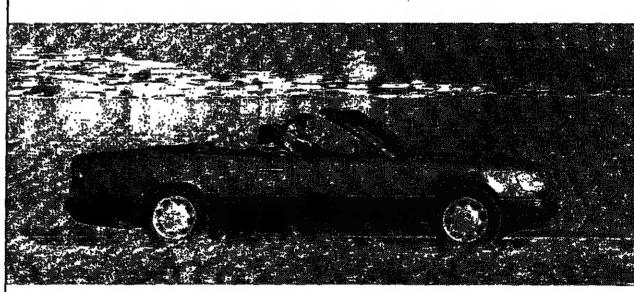
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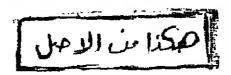
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0 you work for a family friendly company? The concept has been familiar in the US for some time but it should become better known in Britain from tomorrow when the UK Association of the International Year of the Family part of an United Nations imitiative launches the Family Friendly Employment Agenda

The agenda is a 36-point consultative document, with 12 key areas, which could eventually form the basis of a quality kitemark. Progress on the areas to be addressed will be reported in a September con-

The launch will take place at the London headquarters of the Midland Bank - it started its own nursery programme in 1989 and now boasts 114 nurseries and 60 play schemes - and has won backing from Howard Davies, director general of the Confederation of British industry, and John Monks, general secretary of the Trades Union Congress, representing employers and

Joanna Foster, chair of the UK Association of the International Year of the Family, says their support confirms that the new agenda will benefit both sides. "Family friendly work is now a key area. Everybody used to think this was just about policies for women. It was marginalised, when in fact it is about being family friendly to everybody and belping them get a better balance between their family responsibilities and their employment responsibilities," she says.

So bow do companies approach the new family friendly agenda? Foster says: "Companies and organisations can use it as a benchmarking activity. I hope very much that

Family friendly policies have helped improve recruitment, retention and performance

people will use it as an instrument for auditing, that they will consult their men and women and look at whether they are a family friendly organisation and will debate why it makes good business sense."

The concept of the family friendly company is still in its infancy in the UK so there is little evidence of financial benefits resulting, Foster

in the US, however, The Conference Board, which has the aims of improving both business and the business contribution to society, has produced a report* which finds strong evidence to suggest that work family programmes can mprove a company's bottom line". per head. These measures it calcu-The report, which reviews lated would save film, or £2,850 for improve a company's bottom line".

It makes good business sense to be a family friendly employer, finds Liza Donaldson

Nurturing the bottom line

research spanning 40 studies in individual companies and a further 40 on employees drawn from a wide range of organisations, says: "A body of small. but consistent, research suggests that childcare centres, parental leave policies, flexi-time and employee assistance programmes offer some pay-back to the company."

It suggests that family friendly policies have helped improve recruitment, retention and perfor-mance as well as reduce absenteeism. Conversely, the report identifies negative costs to companies that do not have family friendly policies. These include problems with staff recruitment, retention, productivity, absenteeism, tardiness of employees and stress when employ-ees experience conflicting demands between work and family. The effects on employees of caring for elderly relatives was highlighted as a particularly acute problem. In the UK it is perhaps significant

that the companies implementing family friendly policies are those most likely to keep a tight rein on company costs. They include the big four clearing banks - Midland. Barclays, Lloyds and National West-

Midland Bank, for example, used costings from the institute of Man-power Studies to calculate that it would cost £18,000 to replace an assistant manager with 11-15 years' experience, including recruitment, advertising and training. Since a nursery place costs £2,500 a year, savings of £3,000 over four years are generated by retaining assistant

The Alliance & Leicester building society, the UK's fourth largest society, has also adopted family friendly policies. It argues that its term-time working arrangements for parents, the option of 10 weeks' unpaid leave with employment rights protected and flexi-time, made good business sense - attracting and retaining quality staff. In retailing, Boots introduced family friendly policies to reduce turnover of its 35,000 staff by 1 per cent and therefore employee costs



Joanna Foster: "We have some blue-chip leaders who see that this is important"

each of the 350 employees. Its policles include part-time working (also for senior staff), term-time working for 300 office staff meeting certain criteria, job sharing, flexi-time, maternity and paternity leave, a summer activity scheme for chil-

dren and a nursery place scheme. Despite the recession, Boots has taken a long-term strategic view of its staffing levels and benefits. while other companies have preferred short-term options, such as reducing staff numbers or, for example, relaxing childcare provi-

The company now has 50 per cent of women on maternity leave returning, compared with 7 per cent

four years ago. Boots does not just calculate policy benefits in financial terms - it believes staff commitment and loyalty are as valuable, if more difficult to quantify.

Becton Dickinson is a previous winner of the Working Mothers Association's Employer of the Year Award**. The company manufactures medical care products such as syringes, surgical instruments and gloves and has 850 employees on sites in Plymouth and Oxford. It has introduced a committee which reviews family friendly policies and nakes recommendations on reconciling family and work-related prob-

Foster says such committees provide an important consultative mechanism which is advocated in the agenda. She stresses, for example, the importance of consulting employees before introducing a new family friendly policy. "It is no good saying that 'we are going to have a nursery' if nobody wants one."

Neil Gibbs, UK human resources manager at Becton Dickinson. admits that the company culture favoured moves towards flexi-time. job sharing, part-time work. employee counselling, family illness days, leave for sick dependents and maternity information packs. He says managers still had to adapt to the changes - for example, viewing the positive elements of changes such as job sharing took time. Now, instead of seeing two job sharers in terms of two people to manage rather than one, the company emphasises the benefit of two brains for the price of one.

Simon Sperryn, chief executive of the London Chamber of Commerce and Industry, whose 3,000 members employ 500,000 people, says: "I think Britain has a problem compared with the rest of the EU. We have the highest rate of divorce and the lowest level of childcare. That is a fairly rotten start."

Peter Moss, senior research officer and co-ordinator for the Thomas Coram Research Unit, which inves-tigates family life and employment issues, points out that there is more than the bottom line to be considered. Kids' Clubs Network, which campaigns for more out-of-school playcare, says one in five children are "latch-key" children. It says there are only 1,000 out-of-school clubs in existence, while 25,000 are

Foster says companies and employees need to rethink the concept of work to cope with today's family and social pressures. She points to the fact that one in seven adults are responsible for the care of elderly relatives. Changes in employment requirements - government figures suggest that women will make up 80 per cent of the labour force by the year 2006 - also need to be considered, she says.

"We have some blue-chip leaders who see that this is important in terms of capitalising on the investment and development potential of their people," she says. "But there is a massive revolution still to be

*Linking Work-Family Issues to the Bottom Line. Published by The Con-ference Board, 845 Third Avenue. New York, NY 10022-6601.

**UK Employer Initiatives - Work-ing Examples of Family Friendly and Equal Opportunities Policies. The Working Mothers Association, 77 Holosoft 071-700-5771.

Breaks in the supply chain

People are the biggest barrier to good logistics, says Andrew Baxter

omewhere in France there is a very unhappy chief executive. Until recently he had complete responsibility for the profitability of his npany, part of a multinational, in the French market.

In future, however, he is losing control of most of his marketing. and will be completely dependent on warehouses in Belgium and Italy for his stock. "The centre will control this company. I will be left to run a shell," he laments.

The anonymous manager is quoted in a big new report* on logistics in Europe by Erust & Young, the accounting and consultancy group. His fears underline the central finding of the survey - that the biggest barriers to modifying a logistics system are people-related.

Logistics is a big issue for European manufacturers operating in the single market. Many have integrated their logistics nationally but more recently have had to decide to what extent their distribution and warehousing should be pan-European.

For many, a completely new approach is necessary; others, probably a minority, are right in seeing no need to make changes. Either way, it is something companies have to think about, says Paul Bysouth, head of E&Y's supply chain practice in the UK.

Also, as barriers to business have fallen in Europe during the last decade, companies are having to adopt concepts of "integrated logistics" which focus on the entire value chain – the design and co-ordination of a company's physical network, use of suppliers and other third parties, information technology systems and the way staff are organised and trained to think in integrated" terms.

The aim, says Bysouth, is to see the supply chain as a profitability issue, where the aim is to increase service and value to the customer.

The good news from the report is that European industry understands that the issues are important. Unfortunately, however, it seems to be tackling

the problem the wrong way A survey conducted for the report found that only 29 per cent of companies had developed an integrated logistics network, with a further 11 in the process of developing one. That leaves 60 per cent of companies which have not integrated their logistics. The changes which industry

believes it needs to make to integrate its logistics reveal where things may be going wrong. Sixty-seven per cent of companies believed the best route was through IT-led integration, compared with 18 per cent which thought their infrastructure needed changing and only 6 per cent which thought they needed to change their organisation and their employees' attitudes.

Conversely, while excessive emphasis is being placed on IT. not enough is being done about the real problems. Internal barriers to integration were identified by 65 per cent of companies questioned, and 62 per cent of all such barriers were linked to some form of resistance from staff.

The survey found a number of methods being used to overcome change, such as training, meetings, or simply allowing "time to heal". But in contrast to IT, the process is generally left unmanaged or poorly managed. What is needed says Bysouth, is a strong internal "sponsor" for change, and good communications, both internally and with customers.

That, he says, might help win over people like the disgruntled French manager. Or the Spanish transport manager who company is moving to third-party hauliers, leaving him with merely a monitoring role. "How will I know what to do each day? How will I be able to get on with my boss when he sits in a different country? I am just scared of what is going to happen."

*The survey was carried out for E&Y by IMR International. The report, Integrated European Logistics: the Barriers to Overcome, is available free from E&Y's European Consulting Group, in Paris. Tel 1 4693 7152.

CONFERENCES & EXHIBITIONS

APRIL 14 & 15 WHAT'S HAPPENING IN

Up to date information from senior officials. Ministers & Beltish besinesses experienced in Turkey, on the likely effects of the recent financial upheavals.
A timely seminar or "Opportunities in Turkey" after the recent elections.
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cenes submitted to the HSE, future legislative needs, insurance risks, the legal position and safety case automation. Speakers include Michael Forsyth MF (Minister of State, Dept of Employment), Tony Barrell (Chief Exec, North Sea Safety, HSE). Organised with Ichemic and

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THE PUTURE OF THE IT INDUSTRY THROUGH THE YEAR 2000 Garmer Group consultants analyse key IT trends affecting industry. For chief information officers, senior staff in intermation officers, sensor relation organisations who are large users of IT, computer manufacturers and IT suppliers. Price: £980. Contact: Kate Durham, ed: 6753 &31122, fax: 6753 &50776 **APRIL 19-20** BUSINESS PERFORMANCE MEASUREMENT: TRANSFORMING MEASURING AND MANAGING THI DRIVERS OF FUTURE PROFITABILITY

their patientmanes measurement systems to include drivers of future value such as quality, customer service and human capital.

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The Brewery London
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EXHIBITIONS

APRIL 12 EXHIBITION OF EMISSIONS MONITORING EQUIPMENT LEEDS, WEETWOOD HALL, OTLEY ROAD, 10.00-18.00 OTLEY ROAD, 10.00-18.00
An exhibition to help you get to grips with air pollution. 40 of the key companies involved in the manufacture or supply of equipment. Single day attendance at short course on "Industrial air pollution monitoring" also possible. Launch of new "Directory Of Emissions Monitoring Equipment Suppliers": (price £8). Contact Julie Charlons/Di Taylor, Univ. of Loads Tel. 0532 332494/332511 Fax: 0532 332511/440572

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People

Fortune hunting in east Europe

Gabor Varszegi, former rock star and diamond trader, tells Nick Denton how he became the region's richest man

group, likes to show off the view from his penthouse office. The Fotex Plaza, the company's imposing post-modern headquarters in the Buda foothills, towers over the commercial centre of Pest.

It is lonely at the top. No nearby building reaches even to the Fotex Plaza's knees. Nor does anyone come close to rivalling Gabor Varszegi as eastern Europe's richest individual.

A 23 per cent stake in the Fotex group and other interests add up to a personal net worth of well over \$100m. Some investment bankers call Fotex "the best private business in eastern Europe". Its subsidiaries dominate a whole swathe of retailing in Hungary from household goods and cosmetics, to furniture, photograph developing and optical products.

That is just the start. Varszegi is today in Paris as part of a roadshow to finance further expansion by raising \$100m through eastern Europe's largest ever international equity offering.

'Here you can build a serious empire in five to 10 years," says Varszegi. He began business in 1985 with a \$200,000 investment in a one-hour photograph developing shop and has expanded his empire by buying companies which the state is privatising. "It's a once-in-a-lifetime opportunity. Part of the world is on sale. It never happened before and it will never happen again."

But many east European entrepreneurs have botched this chance. In Hungary, where private business has been establised the longest, most of the stars of four years ago have fallen as meteorically as they once rose.

Gabor Varszegi is a rare exception, and not just because he has survived. The stereotype of the showy. fly-by-night, vaguely criminal east European entrepreneur is all too often true. By contrast, Varszegi

abor Varszegi, chief executive is proud to call himself "conservative". of Hungary's Fotex retailing "I was born this way." he save Not that there is anything drab about Varszegi's past. He made his first, modest, fortune as a bass guitarist for Gemini, a 1970s Hungarian rock band. But Varszegi, now 46, says he was always a better manager than a musician. "I was a conservative rock musician." he says. "I always had short hair."

Since his days in the music business, Varszegi has avoided the spotlight. "I never give interviews to Hungarian newspapers." Few recognise his face; he avoids social events and photographers. He cites fear of the Russian mafia; but, like many east European entrepre-neurs, Varszegi is also Jewish. Prominence invites attention from nationalist groups and fuels their fantasies about

the international Jewish conspiracy. His caution can be seen too in Fotex's avoidance of expensive debt financing that fuelled and then crippled many growing east European businesses. "We followed a very different philosophy. We discovered early on that credit is the highest risk.

Another vital ingredient of Varszegi's achievement is ruthlessness. Colleagues describe the Fotex boss as "brutally realistic". When a cold-eyed Varszegi prefaces a sentence with "I like you very much as a person", as he often does, you know that he is coming in for the kill.

Varszegi's uniqueness owes something to his time in the west. He gave up music to emigrate to the US in 1980, worked as a diamond trader in New York and has retained his US citizenship. "I came back as an American to do business," he says.

A Fotex prospectus once appositely called the group "an island surrounded by Hungary". Fotex unashamedly targets what its chief executive calls Hungary's "high society", the tenth of the population which he reckons controls half of the disposable income. Fotex ulation which he reckons controls



offers the elite everything from gold Cartier spectacle frames to mobile telephones: an "infrastructure" for the rich. We don't wish to deal with the average Varszegi once said.

The Fotex boss sniffs too at east European manufacturers - unless they are companies within his group: "Either we have to make products ourselves or we have to import them." Fotex prefers western institutional investors to fickle Hungarian stockmarket punters. Since it is not practical to import labour. Potex hires staff in their twenties, uncontaminated by communism.

But success can go to the head of even the most westernised businesses. Some of the warning signs are there. Until recently Varszegi worked shared an office with his secretary in a villa whose modesty must have appealed to Fotex shareholders. Now he has built Hungary's most luxurious corporate

And he has begun to indulge in "the usual tycoonery", as an adviser terms it: a Bell helicopter to lift him from the roof of the Fotex Plaza, a Beechcroft turbo-prop for longer journeys and a yacht for the occasional bout of intense Varszegi has enlarged his ambitions

too. He who once eschewed grandiose

plans, dreams of building a \$1bn-a-year

company by the year 2000 and says: "I hope that one day you can say what is

good for Fotex is good for Hungary." But Varsægl has not gone soft yet. The Fotex Plaza may be a prestige building but it is also fully let at some of Budapest's highest rents while other nents stand half-empty. It is said that Varszegi has taken to

calling acquisition his hobby but he does usually draw back from the brink of over-diversification, says Paul Greatbatch, a financial adviser to Varszegi: "He knows what he is good at. Basically he is a retailer and he always comes home. He hasn't made a mistake yet." Nor has the excitement of dealmaking dampened the tycoon's enthusiasm for the essential detail of retail. He takes seriously the "quality" slogan. And he jumps over to his desktop com-

count) in the previous month: 1,187,016. Of pride coming before a fall, Var-szegi says he needs no reminder: "If you get richer and richer, sooner or later you lose your self-control." In any case, the moment of truth remains distant; the next downturn is probably a long

puter to recite the exact number of cus-

tomers at his stores (378 at the last

And then there is the yacht and the other little luxuries. Fotex's strategy was to enable the rich to be rich. Now, Varszegi has begun to listen to his own pitch. Eastern Europe's wealthiest man is allowing himself a little bit of conmous consumption.

Personae

TWA: Erickson switches sides

Last spring, Jeffrey Erickson was on the winning side of a David-and-Goliath battle which pitted upstart Reno Air against Northwest, one of the biggest US carriers, writes Frank

With a lot of help from the US justice department, Reno's chief executive succeeded in forcing Northwest to abandon plans which he said were intended to stop his airline from expanding its services into mid-western markets.

Erickson, recently appointed esident of Trans World Airlines, now finds himself on the opposite side of the great divide. His challenge is to revive another of America's flying behemoths, humbled in recent years by competition from smaller, low-cost airlines

That Herculean task may prove to be humbling to the 49-year-old industry veteran. Erickson is taking over a carrier which stumbled badly this winter after emerging from two years of Chapter 11 bankruptcy protection.

In January, the airline endured the embarrassing departure of two senior executives, including its chairman William Howard, who quit under a cloud after only six months. Howard's successor, Donald

Craib, has no experience in running an airline – which can only enhance Erickson's value. After cutting his teeth in management jobs at Aloha, Midway and Continental airlines, Erickson took the helm at Reno at the time of its 1990 initial public offering.

But his record there was mixed, analysts say. The so-called "niche" carrier, with 17 leased aircraft and a mere 1,200 employees, increased losses with each year of operation. Whether Erickson can succeed in turning round TWA - with 26,000 employees, nearly 200 aircraft and a more tangled route system remains an open question.

Kevin Murphy, an analyst at Morgan Stanley in New York, is pessimistic. He believes the airline's days are numbered, and expects Erickson to serve as a "caretaker" while it follows Pan American into oblivion. If so, Erickson, who began his career 25 years ago as a senior engineer at Pan Am, would have travelled full

Wilmot's hopes for multimedia

Robb Wilmot, once the enfant terrible of the UK electronics industry, is approaching 50 but his enthusiasm for all things digital seems undiminished, writes Alan

The former chairman of International Computers is f time in the US where he is busy starting new companies. He is buying a residence on the West Coast but intends to keep his riverside home in

Wilmot likes vintage boats almost as much as he likes starting companies. Since leaving ICL in the mid-1980s, he has been the motive force behind a slew of innovative but patchily successful ventures, including European chip manufacturer ES2, pocket computer-maker Poquet and Oasys, recently sold to Sybase.

Now he is caught up in the explosion of excitement over multimedia". He foresees a battle between the big equipment manufacturers and the entrepreneurs; he is firmly on the side of the latter.

He is taking a down-to-earth approach and is eschewing grandiose schemes to rum fibre optic cable to every home in favour of ways of delivering high quality services using the existing infrastructure



telephone lines, cable, radio. Others, inevitably, are focusing on the same approach. Some, like Microsoft, are big and powerful. How does Wilmot intend to make money? "That," he says cryptically, "is the secret", and promises greater enlightenment anon.

Passing the baton at New York Times

Though it is a leading institution in the biggest city in the US, deep in its heart the New York Times has always considered itself a reporters' paper, writes Jurek

That tradition should be preserved with the passing of the executive editor's beton from Max Frankel, in charge for the past eight years, to his deputy Joe Lelyveld, one of its greatest foreign respondents, and with

recruitment of a new number This is Eugene Roberts, an old Times-man who left to take the Philadelphia Inquirer to

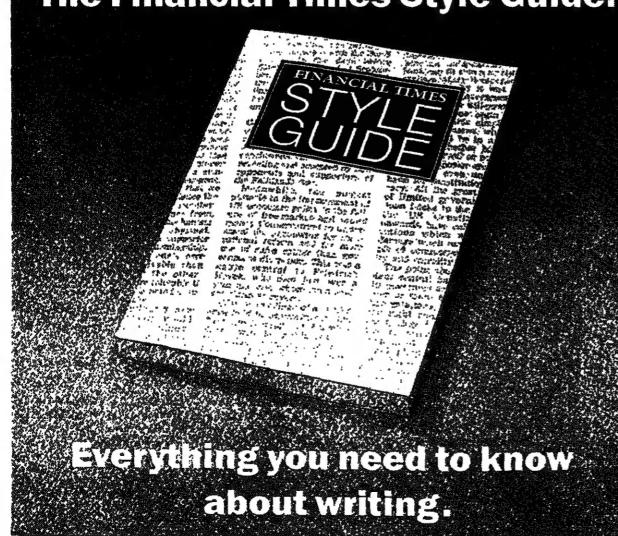
new heights for 18 years (and 17 Pulitzer prizes) before retiring to the gentler climes of Maryland University. At 61, Roberts will not, barring accidents, succeed Lelyveld, 57, because of the newspaper's mandatory retirement at 65. This implies some jockeying for position among junior ranks in the years ahead, with early money on Howell Raines, editorial page editor, and Gerald Boyd now assistant managing editor and the paper's senior black

journalist. Lelyveld and Roberts are a team of contrasts. The former is austere and quite shy. Though he reported from London, New Delhi and Hong Kong and served two glittering terms in South Africa, it is hard to imagine him wearing

a safari jacket. Roberts, on the other hand, is the quintessential green eye-shade editor, a throw back to the old-fashioned hard news days now under threat from the proliferation of life-style pages that have even made their mark on the Times.

Lelyveld, the son of a rabbi, has been groomed for the top for the past four years and only the timing of his elevation comes as a small surprise. Not that Max Frankel, 64, is retiring. Like his illustrious predecessor, Abe Rosenthal, he is ascending into Times heaven as a regular columnist

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TODAY Acatos & Hutcheson 5p Banco Bilbao Vizcaya Pta55

Benson 0.1p Bermuda Intl. Bond Fund \$0.2 City Merchants High Yield Trust 2.4p Fyffes IRO.9876p Glaxo 9p Grand Metropolitan 8.15p Inveresk 3.5p

Islington Corp. 12.65% Red. 2007 £6,325 Kobe Steel FRN's 1996 Philip Morris \$0.69 Nationwide Bldg. Soc. Var. Coupon Nts. 1995 £84494.42 New Zealand 9%% Bds. '95

Norsk Hydro 84% Bds. '97 State Bk. NSW 113496 Nts. '96 A\$117.5 State Elect. Commission Victoria 11% Gtd. Nts. '02

Svensk Exportkredit AB \$418.75 Kingdom of Sweden 6% Bds. '96 Y60000 Warnford Invs. 2.75p

TOMORROW Enterprise Oil 11%% Uns. Ln. Fluor \$0.13 Forsmarks Kraft. AB Gtd. Retract, Bds. 1989/94/99 £568.75

Henlys 3p · Leo 1 Class B Mtg. Bkd.

WEDNESDAY APRIL 13

FRN's '97 2136.05 Do. FRN's '98 £137.16 \$14.16 Collateralised Mtg. Secs. (No. 11) Class & Mtg. Bkd. FRN's '28 £176.97

Enterprise Oil Sub. FRN's '99 €34156.16 HSBC Prim. Cap. Und. FRN's \$42.19 Hewlett-Packard \$0.25 Marine Midland Fin. NV Gtd.

2000 \$93.75 Treasury 9% Ln. 2008 £4.5 **■ THURSDAY** APRIL 14 th of Australia Commonwe 91/2% Ln. 2012 £237.5

Budgens 0.3p Cowie (T) 5.5p EFM Income Trust 1p Fairway 2.25p Y71403 Do. 3% Bds. 1999 Y80833 Do. 3.2% Bds. 2000 Y86222 Wise (Leslie) 2.25p

FRN's 2035 £1916.61 Ramsden's (Harry) 3.5p

Bradford & Bingley Bldg. Soc. Central Am. Bk. for Economic Integration Ser. FRN's 1994

Sub. FRN's '94 \$13.13 Nati. Australia Bank Und. Sub. FRN's \$178.21 Unitas Var. Rate Sub. Nts.

Continental Assets Trust 3p F & C Enterprise Trust 0.6p Do. Investment Trust 2.37p Koba Steel 2.65% Bds. 1998

Lelyveld's intriguing

FRIDAY APRIL 15 AIM1.5p Alexander & Alex. Services 11% Cnv. Sub. Debs. '07 \$5.5 Alumasc 2.05p American Brands 121/296 Uns. Ln. 2009 £6.25 Armitage Brothers 2.7p BCE Inc. C\$0.67 Brierley Invs. NZ\$0,04 **BWD Securities 2.5p** Cementone 1.5p Centex \$0.05 Chrysler \$0.2 Eldridge, Pope 64% Irrd. Uns.

Do. 714% Ind. Uns. Ln. £3.75 Republic of Finland 111/2% Ln. 2009 2287.5 Forte FRN's 1998 21491.78 Gardiner 0.5p Goode Durrant 31/2% Prf. Govett Strategic Inv. Tst. 9%% Deb. 2017 £4.9375 Hoare Govett Small, Co's

Index Inv. Tst. 0.6p ICI 94% Bds. 2005 £97.5 Do. 10% Bds. 2003 £100 JDC Gtd. FRN's 1996 \$188.32 Do. Gtd. FRN's 1997 \$188.32 Jos 2.875p Lazard High Inc. Tst. 1.6p Maivern UK Index Tst. 2.3p Manders 5% (3½% net) Prf. MEPC 9%% Bds. 2004 £98.75

Red. 2017 £5.625 Met.Water Board Southwark & Vauxhall 3% Deb. £1.5 Morgan (JP) \$0.68 MR Data Management 2.076p Nissho Iwai 6.4% Bds. 1997 Y640000 Occidental Petroleum \$0.25 Owners Abroad 2.1p Pacific Gas & Electric \$0.49 Quaker Oats \$0.53 Ranger Oil \$0.08 Richards 4% (2.8% net) Prf. Do. 51/2% (3.85% net) Prf. 1.44375p Royal Bk. Can. Govt. Stig. Fd. Inc. Ptg. Red. Prf. 1.1p Second HGSC Index Inv. Tst. 0.5p Smithkline Beecham A 3.3p Smithkline Beecham/Smithkline Beckman Equity Uts. \$0.06086 Soundtracs 1.48p Kingdom of Sweden 91/2% Bds. 97 £95 Treatt 2.9p

Trans World Comms. 1p Waterman Partnership 0.5p Wereldhave Prop. 91/2% 1st Mtg. Deb. 2015 £4.75 Do 10%% 1st Mtg. Deb. 2015 SATURDAY

APRIL 16 Comwell Parker 1.7p Do. A NV 1.7p City of Swansea 13%% Red. 2006 £6.875 Treasury 21/2% IL 2016 22.1288

UK COMPANIES

M TODAY
COMPANY MEETINGS:
Rumsdans (Herry), Harry Ramadens
Restaurant, Guiseley, 11.00
Regina, 2A Alexandra Grove, Finchley, N., 10,30 Sleepy Kids, The Mansion House, Grim's Dyke, Old Redding, Herrow Weeld, Middlesex, 9.30 TR Pacific Inv. Tst., 3 Finshury Avenue, E.G., 12,30 90ARD MEETINGS: Finals: Alpha Airports Bilton

Dinkle Heel QS Hidgs. Wakebourn

TOMORROW COMPANY MEETINGS: Freeman, London Road, Staplelord. Cambridge, 12.00 1 Angel Court, E.C., 12.00 Heywood Williams, Forte Crest Hotel, Clifton Vilage, Brighouse, West Yorkshine, 12.00

Maris Lane, Ludgate Hill, E.C., 12.00 Porvair, The Waterman's Half, 18 St, Mary at Hill, E.C., 12.00 Yorkshire-Tyne Tees TV, The Television Centre, Leeds, 12,00 BOARD MEETINGS:

Dewhirst Dolphin P Erith FR Grp. Ress Scottish Television

Walker Greenbani Yule Catto Five Oaks Irws.

WEDNESDAY APRIL 13 COMPANY MEETINGS: British Vita, British Vita Training A Dev. Centre, Green Str on, Manchester, 2.15 Cowie (T.), The Smeaton's Vaults. ewery, Chiswell Street, E.C., Hall, 30 Threadneedle Street, E.C., on, The Royal York Hotel, Station Road, York, 12,00 Specialeyes, 167 Imperial Drive, Harrow, Middlesex, 9,30 BOARD MEETINGS:

Do. 1014% Bds. 2003 £102.5

Lon. Borough Merton 1114%

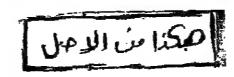
Finals: Ashley (Laura) Black (A & C) Savoy Hotel

THURSDAY APRIL 14 Lloyds Albey Life, Milibank Tower, 21-24 Milibank, S.W., 12.00 Wise (Lestie), 33 Great Portland Street, W., 11.00 HOARD MEETINGS: Blue Circle

FRIDAY APRIL 15 COMPANY MEETINGS: Alliance Trust, Meadow House, 64 Relorm Street, Dundee, 12.30 London Forfaiting, Intl. House, 1 St. Katherine's Way, E., 12.30 St. Modwen Properties, Butchers' Hall, Bartholomeur Close, E.C., 12.00 Campari Int. Bys (Wimble F & C Pacific Inv. Tat. HCG Lloyds Inv. Tst,

Company meetings are armust general meetings unless otherwise stated. Please note: Reports and accounts

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Glass-fancier's feast illuminates 4,000 years

Computerise, modernise, popularise are the watchwords of the V&A's latest gallery, writes Patricia Morison

lowly, expensively, and not without controversy the Victoria and Albert Museum is turning itself into museum for the 21st century. The latest the the Glass Gallery which on April only does it look good, it looks different. This is important, because 🖶 gallery the first step in an reaching into many corner of this huge Three seem to the new V&A in the making; computerise, modernise, popularise.

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2012

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A first impression of the 350 square metre gallery is of colwith a boring design by Edwardian Richards of Pringle +
Architects ated within it | light-filled mirrored Green glass to mezzanine ice-green float glass by artist Danny Lane.

A redesigned museum display violent purging. Glory be, the fashion parsimony was II be over. The new Glass Gallery is crammed with stuff, a lot on the ground floor and twice as much again on the mezzanine which is deemed to be more for specialists than the general public. That seems a pretty artificial distinction. Miss going up the glass steps, mil you miss superb Roman beads and the nostalgic sight of glass Christmas-tree ornaments, the last still in production, given

last year by a German firm. This a glass-fancier's feast things marvellous and ghastly, from exceptional mangar banga ne 1915 mentika punchbowls, from Lalique and Czech modernism to Pyrex cookware. The display is chronological over four thousand years, since the Egyptians used dollops of glass to make jewel-lery. One third of the display is 20th-century, very little previ-ously exhibited. A dozen piaces as the famous 13th-century Saracen police inner in len end us the Luck of the Edenhalls. The mild disappointment is in only three chandeliers; Venetian, 18th-century English and Victorian I had hoped for a constellation.

Forty-three display cases made by Glasbau With of Frankfurt mopped up twothirds I DM film man of the gallery. Beneath the gallery windows rule one la London's polluted Since the gallery and not to air-conditioned, the display cases had 🜃 🖿 💵 nearly airtight as possible, and yet these are so designed that a curator can Conservation new

galiery urgently necessary. of us imagine 🕍 🛤 elbow-reach is durable "glass disease".

Five survey showed symptoms ill glass dis-V&A's Manual Collection of objects.

Roman and himi glassmaking is magnificently proof the disease, as in line century English lead crystal, Scandinavian glass can sicken and, although Italian conservators dispute it, the V&A view is that all Venetian glass has this fetal flaw. Look for sweaty surfaces on

the glass in the Murano tourist shops, says Dr Oliver Watson, curator W Caramic Department. The is the chemically unstable relationship of flux in stabiliser made worse by environmental fluctuations. Crystals leach out and build in until the surface "crizzles". To collector's nightmare there is a cloudy half-shattered goblet in the new gallery.

On top of gim for building the Hill Gallery, largely found from the museum's own resources, Watson had to find 2115,000 for computers and



Breaking with yesterday's dessicated approach: Oliver Watson, " of the state and glass of the Victoria and Albert Museum

in the Gloucestershire Memory. In the end, the Corning Museum in upstate New The system more sophisticated anything the VIIA has seed as far In Its campaign to make its collections and and

I have seen only m demonstration and _____ for how lim lime computer "pods" will actually perform.

In idea is that one rapidly around "The Story of Glass", from film a glass-blowing through that on types, glass-artists and introduced Somewhat misleadingly, half the illustrated actually turn out to be in the Corning

drawback of this kind 🗐 👫 On the plus side, the video is

electronic labelling programme. There are IIImi objects h iiii new display, halls as many as in the will mer Printed Milli www. supply enough data, wisitor is meant to the the shelf number, then the

Watson, ■ computer enthusiast, has included atill many behind the scenes. 💷 🕍 📭 only department in the museum to boast a computerfor the V&A is an unmanageable set of volumes recording pieces as entered in

un collection. Particularly in early entries were often infrequently wrong. Selecting pieces lu the min gallery revealed had well glasses inhelied 🚃 17th-century Visiting was 19th-century imitations.

Il had taken three the department's un war. produce | Manager | Manager 70,000 glass and ceramic collection. "Before, I someone Venini glass III had, it wild the two days' work. Now we can give the answer at Will that kind inquiry
answered free? Probably not, he miama

Walker sees the Glass Gallery as only the start of introducing innovative niques essential if the V & A is

playing 🚞 guitar and helping

pioneer grunge music, il sound coming out if suit Grunge directly

from 🕍 British punk 🕷 🗠

mid | loud, discordant

deliberately amateurish, and

representing the Manual life

style if youth, in with a

complacent, ordered, adult

Cabata in tini a trio, Nir-

in 1988 and fin pro-

an album, which

was signed up by the influen-tial Geffen in

promoted Nevermind,

combining Un energy and

anarchy il grunge with

to compete in an industry claseducation. "For use government spend is predicated un getting people in ii iii stuff."

He believes I only In und riestated arrang could regret the solitude which reigned in III old glass gallery.

"There simply wasn't 📖 audience, and its only people wanted century English glass". Dim and glum, the plan and in antiquated wooden cabinets. This a look at the remaining study galleries, and you see at once how it was. The stand cases like a thousand oubliettes, packed with beautiful things displayed in a way which induces instant torpor.

The Glass Gallery M the first

the Materials and Techniques galleries, opposed to the Art And opposed galleries, which show waterial cul-Hard of ME HER HE society. and T galleries

ment to follow. Yet make at is museum entrance, announcing that the raid imp collection to remain Was for lack of a sponsor, are not

encouraging. have more popular appeal. Even so, it would have ten Watson to collection attractively

A long time lime ahead if the V&A. At least the Glass Gallery, with mark, a measure the distance already travelled.

Ballet/ Roland John Wiley

The Sleeping Beauty

compensate for lavish amenities which Tchalkovsky and Petipa enjoyed, long vanausterities of budget, yet leave mark on this iconic work that is at once distinctive and reverent of the ballet's tradi-

Telling sternal verities again, flaunting perfect execu-tion, and seeking fresh expression beneath the burden of authority were the challenges facing Anthony Dowell as he revived The Sleeping Beauty in a new production sponsored by the Friends of Covent Garden, with financial and practical help from Covent Quite. given in the performance at Kennedy Carlo in Wash ington on light.

Apart Wicks's umerior mime - Carabosse. the uninvited with sister, the parable of good and evil in the new version has more the look of duty than belief, running a long second to the visual splendor of the stage.

Maria Bjornson's arresting set for The Sleeping Beauty is an imposing swirl of columns

been twisted and compressed. These symbols of a castle persist throughout the ballet and frame a large oval centrepiece which changes motif with each act. The disjunction between its distorted angles and curves and Ital realistic Ital groupings among the dancers

is jarring at first. with time the me adjusts, and in the second act. set in winter, the effect of the decoration would be magical so in keeping in its season with the metaphor of the sleeping kingdom - had we been spared a drop curiain of truck leading set against a bright rainbow. Bjornson's andurent are lavish, and run a gemut of

sing brightness. Yet the paleness of effect is telling in the prologue and first act, making the set more intrusive and muting the effect of Aurora's entrance tume in the Rose Adaglo being hardly discernible in hue from the ballerina's skin.

Far from flaunting perfection, the quality of execution was mixed at the first performance. Darcey Bussell is a ravishing Aurora, dancing with

Sleeping Beauty must as if a long perspective had showing excellent in and for its different poise . But even this wonderful artist - cautious in bringing off the prodigies of balance required by the Rose Adagio, a caution which when through the min re first soloists in slow tempi and slight mis-coordinations of ges-

ture and music. Zoltan Solvmosi is a commanding and elegant Prince who dazzled the audience with his frenetic turns in

Mona Chadwick is an elegant Lilac Fairy, though lack-ing the amplitude is gesture tailer many would

bring to the part.
The ensemble dancing, a spate of failed unisons in the prologue, improved in the later acts, the polonaise ma mazurka Act III achieving an genuine panache, as befits a utopia.

Throughout production, Anthony Daniel for persuasive mime is much in evidence; lie with Charles Laboration. Dealing with the weight of tradition is a dilemma, which

Dowell make by following

of Petipa's cho-

Three changes bring the

work of later choreographers into the ballet but do not create a stylistic disparity in the dances as conflicting as the clash of decoration and move-

Small but fussy changes been in the mise-ensupposedly in matter the mineral of the story for modern males

In the dream entracte, em in un original production and by Line Fairy with their music in Dowell's production, making explicit the triumph in greet war evil.

For in purist, Dowell has preserved unmistakable 1890 production In St. Petersburg, when implement torment Desired II, with little in Act
II, when, it the moment
Desiré la Aurora, the cobwebs 🔳 a hundred instantly fall away.

The new Steeping Beauty is a production less parable is tinged with the material and the extrovert.

Obituary

Kurt Cobain



Premature victim of excess: singer and guitarist Kurt Cobain

atometica france. Il mon cris andhis sussessed album and sold more than 10m copies; won many awards; and spawned topped American charts and Mirvana in Lie UK Europe. Another

ful album. In Utero. and last year Like young an underprivileged ground the life not may with found refuge In drugs and violence, and IIm mirror of his stage ed IV him into his private His wife, a neo-punk singer, Courtney Love, and welfare for the child, laneau in land in month an overdose. Cobain briefly a la

impact on minority vouth. He producing appealed in young people who enjoyed the prewished, he could followed the path of matter imprincip In Guns 'n' In into international arena touring and III making II millions. But III II II II II out system - and life.

Châtelet Tomorrow: Firm In Jer

INTERNATIONAL

BERLIN

(341 0249)

OPERA/DANCE Deutsche Oper Tonight, tomorrow, Wed: Ballet Teatro Espanol de Ratael Aguilar. Fri: Don Giovanni. Sat Fidelio. Sun: Der Rosenkavalier

itsoper unter den Linden Thurs and Sun afternoon (Apolio Saal): Cimarosa's Il matrimonio segreto. Fri: chamber music by Brahms and Schumann, Sat and Sun: choreographies by Alberto Alonso and Your Vamos. Next Mon: Daniel Barenboim conducts first of four performances of Patrice Chéreau's production of Wozzeck, with Franz Grundheber and Waitraud Meler

(200 4762/2035 4494) CONCERTS Philharmonie Tonight: Simon Rattle conducts Berlin Philharmonic Orchestra in works by Mozart and Nielsen, with piano soloist Stephen And the second s Kovacevich, Tomorrow: Charles Dutoit conducts Montreal Symphony Orchestra in Berlioz, Szymanowski, Roussel and Ravel. Tomorrow (Kammermusiksaal): Brandis Quartet plays music by Bartok, Kurtag and

Beethoven: Fri, Sat, Sun morning: Rattle conducts Messiaen and Liszt (2548 8132) Schauspielhaus Tonight: Michael Schoenwandt conducts Berlin

Symphony Orchestra in works by Schubert, Stravinsky and Rimsky-Korsakov, with violin soloist Michael Erxleben, Tomorrow: Igor Oistrakh violin recital. Wed: Jean-Bernard Pommier is conductor and plano soloist with Belgian National Orchestra in works by Mendelssohn, Mozart and Bizet. Thurs: Andrei Gavrilov plays Tchaikovsky's First Piano Concerto with RIAS Youth Orchestra. Fri: Siegfried Matthus conducts Berlin Radio Orchestra in works by Matthus, with soloists Michael Sanderling and Deon van der Walt. Sat, Sun afternoon, next Mon: Leopold Hager conducts Berlin Symphony Orchestra in Bizet, Ravel, Satle and Debussy (2090 2156)

THEATRE Fool For Love (Liebestoli): one of Sam Shepard's most popular plays, about two former lovers who have an emotionally explosive reunion in a motel room on the edge of the Mojave Desert. It new Schaubühne production directed by Elmar Goerden has just opened at the Kreuzberger Probebühne

(890023) Der Reigen (La Ronde): a new production of Arthur Schnitzler's cynical comedy of seduction opens on Fri at the Deutsches Theater, directed by Jürgen Gosch (2844 1225)

NEW YORK THEATRE Passion: Stephen Sondheim's new musical based on Igino Tarchetti's 1869 novel about a woman's unrequited love for a handsome young army captain Directed by James Lapine, In previews, opens April 28 (Plymouth, 236 West 45th St, 239 6200) ■ Carousel: Nicholas Hytner's London production of the Rodgers and musical has been recreated with Michael Hayden heading the American cast as Billy

Bigelow (Vivian Beaumont, Lincoln Center, 239 6200) Medea: a transfer from London of the Almeida production of Euripides'tragedy of revenge, starring Dlana Rigg. Just opened (Longacre, 220 West 48th St, 239

Angels in America: Tony Kushner's epic two-part drama conjures a vision of America at the edge of disaster. Part one is Afflenium Approaches, part two Perestroika, played on separate evenings (Walter Kerr, 219 West

48th St. 239 6200) Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucifie Loriel, 121

Christopher St. 924 8782) ■ Three Tall Women: a drama by Edward Albee about a wealthy 92-year old widow who re-examines the events of her life. Directed by Lawrence Sacharow (Promenade, 2162 Broadway at 76th St, 239 6200)

 Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed

by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100) She Loves Me: the 1963 Bock, Hemick and Masteroff musical a delicate, unabashediy simple story with all the humanity, integrity and charm that Broadway's mega-musicals (Brooks Atkinson, 258 West 47th St, 307

■ Kiss of the Spider Woman: musical with songs by Kander and Ebb and a star performance by Chita Rivera in the title role (Broadhurst, 235 West 44th St. 239

MUSIC/DANCE Metropolitan Opera Tonight: James conducts Bektra, with Gwyneth Jones and Leonie Rysanek. Tomorrow and Fri: Aida with Sharon Sweet, Ghena Dimitrova, Lando Bartolini and Leo Nucci. Wed and Sat afternoon: Tosca with Maria Gulechina, Luciano Pavarotti and James Morris. Thurs: Otello with Vladimir Atlantov and Renée Fleming. Sat evening: Ariadne auf Naxos with Carol Vaness and Teresa Stratas. The season ends on April 23 (362 6000) State Theater Joffrey Ballet is in residence till Sun (870 5570) Avery Fisher Hall Wed; Raymond Leppard conducts Juliard Orchestra in works by Ravel, Harbison and Vaughan Williams, with soprano Darlene Bennett-Johnson, Fri: Leon Botstein conducts American Symphony Orchestra in works by

Gould, Ellington, Gershwin and

Rimsky-Korsakov, with soprano

others. Sun afternoon: Pierre

Bartholomée conducts Liege

Philharmonic Orchestra in

Hindemith, Britten and

Barbara Hendricks. Sun evening: Krystian Zimerman piano recital (875 5030). Next Mon and Tues In Camegie Hall: Sinopoli conducts Dresden Staatskapelie (247 7800) Alice Tully Hall Wed: Garrick joins Guarneri Quartet in a programme including Franck's Piano Quintet. Sat: Marin Alsop conducts Concordia Orchestra in New York premiere of John Corigliano's Troubadors (guitar soloist Sharon Isbin) and works by Barber, Richard Danlelpour and Jon Deak (721 6500)

PARIS

DANCE/OPERA Palais Garnier Opera Ballet esents mew full-length ballet by Angelin Preliocaj, entitled Le Parc and set to music by Mozart, daily from tomorrow tili April 22 except Sun and Mon (4742 5371) Châtelet Frankfurt Ballet gives the final performances of its current residency tonight, Wed and Thurs, devoted to William Forsythe's As a garden in this setting (4028 2840) Opéra Comique There are daily performances of Werther till April 22, except Mondays and Thursdays, with alternating casts including Alfredo Kraus and Martine Dupuy. Laurent Petitgirard conducts a staging by Gilbert Blin (4286 8883) Opéra Bastille Dawn Upshaw and Olaf Bar, accompanied by Helmut Deutsch, sing Wolf's Italian Sonobook on Fri. The next opera production is Alceste, staged by Achim Freyer and conducted by Graeme Jenkins, opening on April 20 with a cast led by Maria Ewing

and Gary Lakes (4473 1300)

CONCERTS

Stravinsky, Zimmermann. Dallapiccola and Schoenberg, with vocal soloists Christine Whittlesey and David Wilson-Johnson. April 26, 27: Kurt Masur conducts Leipzig Gewandhaus Orchestra (4028 2840) Théâtre des Champs-Elysées Wed: Anne Gastinel cello recital. Thurs: Leonard Statkin conducts Orchestre National de France in works 🔚 Liszt, Szymanowski and Bartok, with violin soloist Chantal Juillet. Sun morning: Julilard Quartet. April 26: Riccardo Muti conducts Vienna Philharmonic, April 28; Georg Solti conducts concert performance of Così fan tutte (4952 5050) Saile Pleyel Wed, Thurs: Christoph Eschenbach conducts de Paris in works by Glinka, Bruch and Tchaikovsky, with violin soloist Gil Shaham (4561 0630) JAZZ/CABARET Lynn White, renowned for her suave and sensual soul singing, is in Jazz Club, Music from 10,30pm

residence till Sat at Llonel Hampton to 2am, April 18-30: Sonny Rhodes Blues Band (Hotel Meridien Paris Etoile, 81 Boulevard Cyr, tel 4068 3042) THEATRE Hamlet: Georges Lavaudant's

swift, exciting new version of Shakespeare's play is in repertory till the end of the month at the Comédie Française (4015 0015) Le Cid: a new production of Comeilie's archetypal play of Love against Honour opens tomorrow

at Théâtre de Marigny, directed by

Francis Huster (4256 0441)

Merchant of Venice hylock and his office

Theatre

Scomputer, Bassanio amid the champagne-swigging hooray Henries; Launcelo Gobbo with his sandals and of coffee. . . . Seeing Merchant of Venice relocated into the modern world, as it in David Thacker's RSC ing, la a very salutary M Renaissance glamour here, no glowing Venetian colours. This production, new last May in Stratford and now it in Barbican, reminds us that Shakespeare's Venice is simply a 💵 of finance and 🖦 It 🖹 FT world, with city busy at their

The most distinguished gent is Shylock. As David Calder plays him - with great distinction, and with marvellously eloquent vocal tone - he the most civilised will in Venice. This Shylock only Christian gents keep brandishing their anti-semitism in his This highly tendentious reading unpleasant

Shylock stipulates a pound of Juliano's flesh 🕍 🗀 first we we him (Calder suggests this forfelt like a mere whim of fancy), and II warnes that Shylock only like an orthodox every-on casting him as such. Shylock against than sinning.

As far as it goes in white washing Shylock, this production is very satisfying. But it is better in satisfying our modern liberal instincts than our knowledge of Shakespeare's play. The Belmont scense - Portia, the caskets, and the final act of lovers' reconciliations become grey and lightweight.

And Thacker is so p.c. that he edits out Portia's racist remark about the Prince of Morocco's failure: "Let all o his complexion choose me so". (There are other editorial alter ations, too, mainly to help the new-look Shylock.)

Calder's Shylock and Penns Downie's Portia have acquired a wealth of new nuances. To many, in fact. All of Calder's effects are individually sensi tive and intelligent, but I am now aware that some of them are just that: effects. He pauses too long and too often. Downie has gained authority, but not viction or fluency

One supporting role is brilliantly taken - In language Gobbo of Christopher Lus combe, a ineffectual little chatterbox whose every silly word becomes vivid, funny, and telling. The production is better spoken than before; every word into I Barbican's difficult auditorium. But too many of the supporting roles are weakly played. I cannot conceive why the RSC is costing Mark Lewis Jones as Lorenzo. He speaks high-flying poetry about moonlight, love and music, with a voice so tight and manner so tense that he wrecks the scene.

This is still a bracing and exciting production. Of all the stagings that will come from Stratford to London this year, this is the one I would most turge people 🖿 see. It 💵 changed my conception of Shy-lock and Shakespeare's A shame that it affords only incomplete pleasure.

Alastair Macaulay

In repertory at the Barbican

ARTS GUIDE Monday: Barlin, War York and Peris. Tuesday: Austria, Belgium, Chi-Washington.
Wednesday: France, Germany,
Thursday: Spain, London, Prague. Friday: European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230 NBC/Super Channel: FT Reports 1230. Euronews: FT Reports 1315, 1545, 1815, 2345 NBC/Super Channel: FT NBC/Super Channel: FT Reports -Sky News: FT Reports 0230, SUNDAY NBC/Super Channel: FT Reports Reports Sky News: FT Reports 0430,

Samuel Brittan

The case against Major's foes



against the British prime minister is typified by Jak cartoon in 🔤 Evening Stan-Scottish laird

in baronial hall telling his wife: The trouble wife John Major is that he just doesn't understand ordinary people!". while bring on refreshments m the bagpipes.

Old parliamentary hands to tell MPs: "Your enemies are your own 📥 of House. Your opponents sit opposite." I can merely that I have seen nothing as hysterical, vicious and dispro-portionate to the last of victim as 🔚 long-running anti-Major campaign.
The main complaint of the

anti-Major mun against Labour party is limi the latter cannot deliver some knockout propaganda blow to topple upprime minister. It would, however. surprising U unu political opponents could rival the Tory anti-Major leads in venom. Things have reached ridiculous level cabinet discussion for position for the sion: translated, and means that william in it is the Euro-phobic.

What, then, are the charges against 📟 prime minister? The first, partisan, Conservatives are doing very badly in the opinion polls and could catastrophe in the Euro-elections. Governments doing badly in mid-term elechowever, among IL oldest phenomena of democratic politics. By-election of Ma Conservative such 💶 Torrington 📶 Orpington par for the macmillan administration. Not only | this natural; 🖩 📦 📖 regrettable. No serious student of politics u supposed that governments should depend un day-to-day plebiscite. The purof general elections is III mable voters III deliver byyears. Even that is a Churchill said, it is bad than any other.

Let it is straightthat the present British government is thoroughly ond-rate, nowhere more so than in John Major's cronies with whom in feels most comfortable. But then so most governments been in the history of the world, except that that been third-rate or diabolical. To bemoan this last excessively commit the cardinal supposing that human progit comes from scientists, artists, engineers, leading leadbeings acting individually in combination. The deliberate playing are of We by the supposedly lime market

right breathtaking.
The greatest fault of John Major II a lack a public

The purpose of government is to provide a framework for individual citizens

ity with 🕶 🖛 🖿 in private. This lies behind every recent disaster. The European voting volte face was partly 🚛 🚻 🛊 hyped-up negotiating stance. The tragi-comedy of "Back III III III another example. But prime for a moment. When of the prime minister's enemies on the right with the honourable excepof Frank Johnson W Sunday Telegraph - "Back to Basics" rather than less: that is, more self-appointed guardians of puritan public virtue probing into the private WMI of people in MIRE. Have you ever seen 📖 anti-Majorites uttering word criticism of the intrusive

The fact is that Conservative leaders since Winston Churchill have all lacked in gift of of words. Eden's speeches were greeted by Ernest Bevin the remark: "one bloody cliche after another" (pronounced "cluytch"). Macmillan, like

mainly recognised an amount in retirement. When for lack of leadership, he replied that people who wanted it should look in archbishops. 🍱 for Edward Heath, it was a constant marrie il amazement that some so to music = 1 = so

Im spoken word. I live in antil in the cast obvious feature of Lim anti-Majorites, their hostility Europe - although they it clear they reach large his their or not This almost by accident, Lucipean issues triggered off, although they did not cause, the depar-ture of Lady Thatcher. One result has been that paternaland militarists, not inde their dienn by a former prime mainly associated with policies, limit now climbed on the anti-Majorbandwagon in her name.

of linitusion ul this element, and of the rated abysmally quality. they supported Im Thatcher government against 🗔 📟 wanted wanted expansionary economic poli-cies, that typical the up to "cheap and plenty of it". They have joined and the left in pedalling myth II.... It is something III.... "govcompetence" limi can cycle ind

unending prosperity.

If anti-Major Tories really read the main of their ed intellectual inspirers such as Industrial Hayek, purpose of government is to provide a tramework ndividual citizens 🚾 volumtary associations un follow their own self-chosen Leadership in was (although Tolstoy land us doubts - war and Peace); but there is something deeply inadequate about people peacetime lives without m scoutmaster in Number 10 blowing on ■ tin whistle ■

THE FT INTERVIEW: Rudolf Scharping, leader of Germany's SPD



For the past 10 months, Rudolf Scharping, the leader Depth Digital CAPD). has been earnestly and anx-

iously seeking to prove to German electors that he and his party are "fit for government". Today in Washington he will effect, the same campaign – but 📶 IImdirected # Capitol Hill, the White House, and the opinion formers of the world.

If the German opinion polls hold true, 46-year-old Mr Scharping, currently state prenier of the Rhineland-Palatinate, is the most probable successor to Chancellor Helmut Kohl after October's elections. Following the sharpest recession to hit postwar Germany. the SPD is seen as the party most likely to solve the prob-

lem of rising unemployment. Yet foreign policy could be his Achilles' heel: it is the one L'II where German agree that the present chancel lor is far more experienced, and Mr Scharping I an unknown quantity. Over the coming week in the US, he is keen to prove otherwise, and show US President Bill Clinton that an SPD government in Bonn would be a partner just as good as, if not better than, the Kohl regime.

he says, will disarming understatement: "There a last for rather more infor in America about policies of the sand Designates and Hall Bear I will very happily who the opportunity to provide that."

For a start, he on the head fears that a "red-green" coalition II Bonn, between I'm SPD and the Green party, might see Germany pull and of the Man لصنا إلى قبارة أعمل and أعصاله eswehr, Lin German armed forces. Such amen policies, be

says, are "pure nonsense" became party leader last June, his main achievefirmly into the middle ground of German politics, away temptation 🗐 becoming 🛚 coalition minority "Rainbows are very pretty," he says, "but rainbow coalitions simply cannot take 📗 strain. Only a party with a strong cenhas the strength independence M face new questions and new developments, III protect small minori-and take mildli ideas."

Earnest about important allies

He is adamant III I lead Democratic methodoxin in would be seen any growth in protectionism in spite of party's protection of jobs. There is no will writer in the world will in internationally] interconnected, cially in Europe, as Gar-man economy, says. "Protectionism worse. In the importantion There is no debute on that longer. The only question one trul organise one's relations."

Let relations."

Let relations."

as passionate believer | European integradomestic political reason atta sach justify natural ing European integration," be Mr Kohl increasingly iso-Abd serge til om acticative III III issue Wittens Uni Buc'al Transcrite are part of a genuinely pure European movement

EU wall likely water to open to membership of III annual IIII European democracies will be the new for the US, as well Europe Japan, to U more support fairagile named and committee of In other in theme will in

M writing ground that imide IL SPD III Clinof population control protection of the environment. It seems that, as far as foreign policy is concerned. Mr Scharping belongs firmly in mainstream of Germany's postwar European and Atlantic commitment. "There - vari ous voices en we political in Germany, including occasional voices rame in

SPD, which we could do without Nato. either replacing it will the CHO or other struments of European rity policy," he says. "I believe that is wrong. One cannot give the best functioning security instrument we have, in the uncertain hope that a we one



Rudolf Farmers probable

in Europe essential "The Europeans have sadly be my very br foreign and security policy. The example 🔰 Yugoslavia h tragic evidence that. Europe and do without America's involvement,

Rainbows are very pretty, but rainbow coalitions simply cannot take the strain'

not only for reasons of security

"in 🖛 development 🖬 world trade, help for underdeveloped countries, and in the tion of the freedom eastern Europe, common involvement makes more sense than for every country to act on its own.

III supports the programme of partnership for peace as "a good first step" to in wine both lines and the Europeans in its processes. Yet after m min to Prague last week, he also knows the urgency with which the central European states are seeking full membership of Nato and the EU.

"Perhaps they feel that they must use the present opportu-nity, because they don't know five years. Perhaps they are know how things will turn out in Russia.

He says it is essential for the prospect of membership" to the linter wat the third makes all Europeans, but equally essential a series "simply moving the old [east-west] border a few hundred language further east". Le cannot see how Russia can be given some sort of "special relationship" in Natio beyond that it has by virtue of size and nuclear weapons.

"Since no one can say today Russia will deve can only M goal: M as

as stable, democratic and peaceful as possible. How that can be accomplished in detail, we will have to work out as we

go along. Mr Scharping's first foreign trip ៅ 1994, Germany's marathon election year, was in Paris, and he still firmly in the importance of the Franco-German alliance within Europe. He quotes formal Chancellor Helmut Schmidt as saying that, in foreign policy questions, "Germany should wherever possible follow a common path, "least with France, and the French should rather be allowed keep

one step ahead". As for any greater assertion of German national interest, "if you common European] foreign and security pol-icy, you should not always try take Ill first step. One should not try to compel one's partners to follow.

Germany has, thanks to its size, its population and its geography, wery strong posi-tion in Europe. It is for this weight is be bound into Europe, would work rapidly be to the old axis-politics, and everyone

that led." His party is in land of a permanent seat on the UN security council for Germany, but not priority. In anyway, if Germany permanent seat, would and it it seen European seat".

He min was all party's opposition to the German outside the transcript outside the transcri peacekeeping missions. The SPD supports the 📖 🔟 🚟 helmets, with I right to use in military limit

port UN embargoes. That means everything UN has been in the last m vears, and which it can realistically mexpected with in me coming years, can be done with German participation, far 📺 🗺 foreign policy 🖬 my

party is concerned."

Mr Scharping is adamant Im foreign policy in Germany will me the day part (left the left elections: unemployment 🔤 is sale if the economy will important. Yet knows that II entirely irrelevant, which is why he is taking III week's

Quentin Peel

ADVERTISEMENT

This statement is made on behalf of POSTABANK, 1051 Budapest, József Nádor tér 1., Hungary and compiled by Leslie Gergely

An island in the Hungarian banking system

During the last weeks of 1993, the fiscal government extended a hand in more than forty financial institutions households. This phenomenon is not unusual in the Hungarian market must in 1994. However, in illim period in the Hungarian banking system: it implemented a of transition household banking services were the capital injection in which the capital adequate ratio of the largest commercial banks and a number of small interreached zero. But this is not surprising: financial institutions also perceive the transformation of the Hungarian economy and its long-term crisis, and I no coincidence that the budget takes its share in carrying the burdens. Through state intervention, these financial institutions ended in a better position. The process is to last until May, according in government plans. By that December 1993. Accounting-keeping for households has time, the lowest capital adequate ratio is planned to reach

It is natural that banks depend on the state of the economy as a whole, although not to the same extent. For example, Postabank Takarékpénztár Rt. (Postabank Savings Bank Rt.) did not have to be placed in the consolidation program. By international comparison, Postabank's capital adequacy ratio low at five percent, but it holds its own compared to the rest of the Hungarian banks. Several factors are responsible for this favourable position. For example, the company established five years ago not long after a two-tier banking system was established in Hungary. In fact, Postabank enjoyed the mann position as new foreign- and jointly-owned banks on the Hungarian markets: it could pick and choose its clients. It has not inherited corporate and it did not have to bother about such debts for which there were no genuine business motives.

Pinally, since Postabank's transformation, the new breed of financial-banking management with a average man of 31, working under the same President-General Manager. Gábor Princz, brought a new, dynamic style, business practice and innovation to Hungarian banking.

Naturally, Postabank does not owe its good position exclusively III the timing of the establishment. Its business policy, professional philosophy and adaptability, a special feature in a country undergoing political and economic transition, helped Postabank grow. The figures of the company's prime capital, activity, profitability, yearly dividend and the expansion of its total take added meaning (although not in the economic sense) since they come from a financial institution operating in a former socialist country which shifted to a genuine market economy only a few years ago. On June 28, 1988, at its establishment, Postabank had a prime capital of HUF 2.229 billion, increased to HUF 6,505 billion by after two raises. A classic enterprise, Hungarian shared HUF million among the founders but the other shareholders also included the private sphere. Total of the bank rose in HUF 168 billion in 1993 from the closing stock of HUF 6.2 billion in . At the end of 1993, the financial institution kept the account of 7155 business organizations and the closing stock me the accounts was HUF 15.5 billion. (On February 10, 1994, 1 USD equalled HUF 102.50 according to the Hungarian central bank's medium rate.)

services not only to the corporate sphere but also to reliable partner.

monopoly of practically une financial institution. Postabank, as its mine indicates, has utilized the Hungarian Post: 3200 post offices joined im network to collect deposits. This figure is almost as large as the number of turns and villages in Hungary. In the first year of the decade, one-third of the liabilities were made up by household and the corresponding figure was 67 percent according to the balance at the end of been a practice for two years. In 1993, the range of services expanded with the introduction of large-capacity current account system and its standard has been expanding a great extent. By the end of last year, household liabilities reached HUF 112.5 billion; 42 percent of the stock is payable on sight, 31 percent is fixed for one, two, three or around months, I'll percent for a year and nine percent of the deposits are of monthly-bracketed interest rates maturing in a year.

The transforming economy also brought in light the fact that a large number of companies in Hungary are insolvent or have tremendous debts. Amid such conditions, lendings of Postabank cannot be compared to financial institutions' activities in a stable country but, in fact, and some to such activities of a number of Hungarian banks. According to President-General Manager Gabor Princz, the bank dealt with a significant volume of bills of exchange trade in addition to short-term lending, and must of Postabank's loans with over one-year maturity were used by III partners to finance the establishment of exportable activities. Financial leasing is not a common practice in Hungary; however, Postabank has been dealing with it for years. Its range of partners includes large number of private entrepreneurs. All this is happening at a time when the number of solvent clients is drastically decreasing. This will when Postabank transformed its debtor qualifying system and established differentiated interest policy.

The president of the State Banking Supervision, selfcritically, called commercial banks a mystery as many of them have not long had a chance to write off bad debts for long. Postabank is an exception. Whoever gets involved in the five-year-old company's raise of capital will not face a some of bad debtors and thus the fate of the investments will not be mystery-just the opposite. The financial institution shares 5.3 percent of the accumulated total some of the Hungarian banking system, its taxed profit ranks third and its prime capital proportionate taxed profit is second. The 1990 raise of prime capital of the financial institution transformed into a joint-venture bank: Postsparkasse and the Wiener-Allianz Versicherung AG, both of Austria, acquired a 16 percent share in Postabank. By the end of 1991, the Wiener-Allianz insurance company sold five percent of its share III E.A. Genrali. As a result, the foreign shareholder. When doing business with this young The Budapest-based banks provide full-scale banking financial institution, clients of Postabank find a good and

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Government should | Confused ideas about act on electronic mail confidentiality

From Mr P S Meicr.
Sir, By chance I have exposed to a furious debate in the US reme the time by private individuals of military-strength encryption. I simply want to be mation, some of it was personnel matters, by electronic mail from my business in Kent to my home in Shropshire. The e-mail facilities on ill Internet, ill such I far it confidential which brings up 🖿 need 🜆

encryption. 1 addition to my humble use of it, I would argue encryption is essential for several new commercial services to develop over the Internet which will benefit us all in by lowering transaction

Applications in publishing software distribution have already sprung up which depend m encryption. Rather give a long list of ples, I ask you to imagine whether you would want your credit card broadcast en clair round the world. If, like me. you would not, you need encryption to buy and sell over network. The debate, which

started properly in ii. UK, ii. whether the government encryption by private individuals, or limit its use to some system, such as 🔝 American Clipper chip which bugged by government. In the US, the Netherlands and, believe. France, such restrictions we already being debated by their legislatures. The conis supposedly about law and order.
My restriction

tions should not imposed in without a public software, PGP for example, is now widely available world-

Those crooks who need it already have it. An opportunity for significant economic development of the internet could governments to push through illconceived restrictions just because the subject seems obscure in the second an interest. Cranbrock Engineering

Cranbrook,

Competitiveness is not at risk from strong labour movement

From Mr Robert Phelps. Sir, Clearly discussion of the merits of a social clause in international hotting up. In the assumption (in a country's competitive edge in world trade is necessarily sharpened by the absence of a strong labour movement

questioned. in an economy where labour is repressed, unskilled labour is likely to in repressed the most. The result, since manufacturing workers are usually more skilled than those in most services, is to discourage the production of tradeable goods. Service-sector output expands, compared with an economy with market-deterwages, = intra-marginal profits are (higher. As service-sector output expands relatively, its price falls rela- | Ferney Voltaire, France

tively. An all revaluation of the currency results and competitiveness lost.

in mili an economy.

development ill a strong union relative Line of unskilled correcting Unitrade able, non-tradeable imbalance bringing an effective devaluation III retrieve competitiveness. If his a correct, in International Confederation of Trade Unions is being In from protectionist ("A bid to push world to rights", April in seeking global acceptance of workers' rights. Setting further barriers in expansion of exports imm an uncompetitive economy may be way to proceed. Pheips.

Residence La Reserve,

objectives of human resource management Sir, Sue time and David they have with their people,

Metcalf's criticisms of human resource management ment, April 6, UK edition: April international) betray both | limit of understanding | concept, what personnel specialists are trying to achieve in applying it. HRM was large a reaction against prior over-specialisation and the lack II business impact personnel func-tion which had helped in appalling industrial relations record and rigid work practices of UK companies in

Maria Maria "Measuring and monitoring function" subject ■ major conference for personnel practitioners in June. and it demonstrates that they indeed evaluating what their contribution is. And III standard they are applying of Fernie and subjective view if good management/employee relations. for its own sake. II instead a demonstrable contribution In improved business performance and the achievement of un organisation's strategic

The research only reinforces opinion that the titular allusion III people with "lots of pretensions but www practical results" appropriately with business academics than with those HRM practitiomen who have been making major I'm in lighting "The disease". Duncan I Brown, Towers Perrin, Forster

Crosby, Castlewood House, 77-91 New Oxford Street, London WCIA IPX

McKergow. Sir, I fear Sue Fernie and David may have been asking wrong question. By asking managers responsible for personnel matters in man management-employee relations on seven point scale, they have collected data on those managers own perception of the states of their organisations. Fernic and Metgo to confuse these perceptions with the "actual" state of these organisations. Is it surprising, then, that manag-HRM methods un

benefits of improving things and rate their position accordingly modestly, whereas the who do not are with things at they are and report good results?

Would Captain Bligh reported good relations with of The Bounty? I sus-Mark McKergow. principa Mark McKergow Associates,

Redland, Bristol BS6 6LS From Mr T Barry.
Str. The notion T measuring "better management-employee relations" illustrates precisely why many HR professionals are MM delivering:

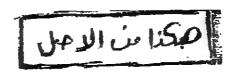
(1) The HR function's objective must be to help a company achieve its business strategy by maximising will perforof lie employees. II fessionals believe land management-employee relations are a their function's they will find a place on the board. (2) The validity with notion wanagement-employee relations" | indicative if the continuing prevalence of command-control management style. In our experience, a manstill himself a "boss" will not maximum pul is people. A manager who says he wants iii

not **maximum** out of team. Why not? Because individuempower Industrial And when in they them-selves? When they recognise self-interest in the job

"empower his employees" will

are performing. Individuals do not take a job just in further the business goals ill the company. They take a job to further their personal goals. Only when the can a purpure hope iii maximise iii commitment of **in** people, and thus facilitate the attainment of business objectives.

Tom Barry, managing director, Blessing | White (Performance Improvement) ar Henry Dorvill Base 8-10 William Street, Windsor.



FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Monday April 11 1994

Supersonic subsidies

Europe's three largest aerospace manufacturers have a problem. All are suffering from a weak civil aircraft market and cuts in spending on defence, which has long provided much of their most lucrative business. Despite heavy restructuring, two of the compa-nies, Aerospatiale of France and Dasa of Germany, made losses last year. The third, British Aerospace, is only just profitable.

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Apparently in quest of a solu-tion, the companies have failen back on a well-tried industry ploy - a costly prestige project calcu-lated to set politicians' pulses racing. This time, it is a joint feasibility study for a long-haul supersonic airliner. The companies argue that the scheme would give Europe a head start in the race to build the next generation of commercial afreraft.

The mere fact that the project has been dubbed "Son of Concorde" should cause taxpayers to shudder. The Anglo-French programme, subsidised to the tune of more than £7hn in today's money, produced only 14 operational aircraft. The sole customers were the two countries' state-owned, flagship air lines, which acquired their Concordes at knockdown prices. Though BA has turned its fleet into a cash-spinner, Air France has not even managed

Untested market

The dangers of the fiasco being epeated seem all too clear. In contrast to the European Airbus, which has thrived by focusing on established sirline needs, the proj-ect sims at an untested market. Recent experience also suggests the premium prices which airlines would need to charge to make a supersonic service viable are acutely vulnerable to recession. The manufacturers' talk of making as many as 1,000 aircraft and of big potential demand on Pacific Rim routes sounds highly speculative.

So, too are estimates of the pro gramme's cost, which has been put as high as \$10hn - much of which governments would be expected to finance. in one sense, the exact figure is almost irrelevant. As the sponsors of Concorde discovered, beyond a certain point it can be as expensive to cancel a white elephant project as to see it to demonstrate that they under-

The manufacturers say the costs would be shared through wider international collaboration. That is debatable. The European Airbus consortium, for all its technical achievements, is far from a model of manufacturing efficiency or corporate transparency. Furthermore, for all the industry's talk of big global partnerships, none attempted to date has survived beyond the design stage - and some have not got off the ground

Driving seat

One reason is that manufacturers have often been unable to agree on which should be in the driving seat. The bigger problem is that their engineering and tech-nological prowess, their roles as defence contractors and the glamour of their business have made them potent symbols of national sovereignty. Invested in their fortunes are the pride and ambition of governmen

The result has been policies which have too often preserved excess capacity and, in the case of Airbus, thwarted commercially desirable restructuring. Indeed, the consortium has, in practice, enabled Britain, France and Germany each to maintain a civil aircraft manufacturing industry which none could otherwise afford. The price in reduced efficiency and scale economies can only be guessed at.

In these circumstances, international competition can easily become a battle between political power and national treasuries. That danger has been highlighted by the Clinton administration's central role in the recent sale of Boeings to Saudi Arabia, and its apparent about-turn on civil aircraft subsidies. After years of pressing to have them subjected to stricter international curbs, the US now seems to favour stepping

up sid to its own industry.
The longer such political atti-tudes persist, the more manufacturers will be encouraged to plead for special treatment. The harder, too, will be the task of applying normal commercial and financial disciplines to an industry which has too often identified its own welfare with the national interest. "Son of Concorde" offers an excellent opportunity for governments

Anglo-German understanding

parinership between the UK and Germany - once dubbed "the quiet alliance" - has become uneasy. Anti-German jingoism in the British press, for example over the UK's plans to involve Ger-many in next year's end-of-the-war celebrations, has been accompanied by differences on policy issues. The good personal relationship between Mr John Major, the UK prime minister, and Chancellor Helmut Kohl has had little impact on broader ties. An international opinion poll last week indicated mutual trust between Britons and Germans well below the confidence each country's citizens feel towards Japan and the US. It is time to take seriously these resentments and misunderstandings, and to consider what can be

The post-second world war

done about the causes. The problems are more pressing because the strains of German unification are likely to persist. The misguided opposition to unification of the then Mrs Margaret Thatcher has left a legacy of bruised German feelings. Britain, for its part, is irritated when the Germans flex their muscles, for instance during Bonn's 1991 drive to give Croatia diplomatic recognition. But the UK is also disturbed by German weakness in failing to control post-unity budget deficits or to play an adequate role in international peacekeeping.

Striking tensions

Over Europe, there are striking tensions. Any attempt to relaunch monetary co-operation will be bedevilled by memories of both sides' mishandling of the UK's departure from the exchange rate mechanism. Last month's British debacle over European Union voting weights was also apparently caused in part by London's failure to realise that its position would not be backed by Bonn. Mr Major is still caught between fears of being ensnared in a German-dominated federal Europe and of being excluded from a Franco-German "core". Yet, in reality, the UK's chances of avoiding either outcome have grown. Germany's stance on Europe has become closer to Britain's, manifested by Bonn's support for EU widening, as well as by the German electorate's scepticism over economic and monetary union.

As these examples indicate, far more unites the UK and Germany than separates them. Rather than increasing Germany's dominance, the incorporation of economically ravaged eastern Germany has in some ways narrowed Anglo-German differences. United Germany's per capita gross domestic product is only about 10 per cent higher than the UK's, on a purchasing power parity basis, although western Germany's is about 25 per cent higher.

Similar problems

Germany's financial and business sector is also, under the strain of recession, responding to Anglo-Saxon influences. The size and effectiveness of German capi-tal investment in the UK, the large numbers of German students at UK universities, and the good relationships enjoyed by British military personnel in Germany all point to matching Anglo-German temperaments and attitudes. Many problems are similar, too; high unemployment, strains in the welfare state and a vicious strain of racism among them.

To improve Anglo-German understanding requires action on a broad front. Political parties should learn to co-operate better. for example in the European Parliament. Business and trade union leaders should pursue mutual understanding and common cause in international institutions. Traditional exchanges, such as the annual Königswinter conferences, which have brought together politicians, academics, business peo-ple and journalists for 44 years, should be widened in scope and participation. There is a special need to counter ignorance among ordinary British people about life in modern Germany. The two governments, backed by business, should try to broaden links through wider exchanges of young people at the educational, cultural and sporting levels, and in broadcasting, perhaps along the lines of successful Franco-German pro-

Once divided in two world wars, the two countries have been united by nearly half a century of joint attachment to parliamentary democracy and economic liberalism. That unity will only be deepened by a sustained act of willpower on both sides.

US retailing: an overseas spread

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hen US retailers start expanding overseas, some thing must be wrong at home. Ry and large, ever since the nation's first trading post opened. US store groups have held the view that the domestic market offers such vast potential for growth that there is no need to look anywhere else.

Listen, for example, to Mr Leslie Wexner, chairman and chief executive of The Limited, the US fashion retailer, rejecting the idea of international expansion in his company's last annual report: "I believe that our customers and shareholders are best served when we focus on our immense opportunities in the US. Sales of \$10bn, perhaps \$20bn, are within our grasp, right here. Considering the complexities of retailing overseas, I do not yet see similar volume and profit oppor-

tunities from global expansion." Yet suddenly, sentiments like these are beginning to sound out of date. Toys R Us, the toy superstore group, has already opened in 15 countries outside North America and plans to add Denmark, Sweden, Saudi Arabia and the United Arab Emirates to the list this year. Kmart, the discount store operator, has bought 13 stores in the Czech Republic and Slovakla, and is about to open two stores in Singapore. Price/Costco, the membership warehouse company, is already in Canada, Mexico and the UK, and plans to open stores in Taiwan and Korea

This is not the first time US retailers have explored overseas. Woolworth took its "five-and-dime" variety stores to the UK and Germany in the 1930s, and there have been sporadic adventures by US companies since. But the current interest is on a much bigger scale than anything seen before.

From the US retailer's point of view, the most satisfactory explanation is that this is a case of sheer opportunism. US retailers are among the most innovative in the way as US companies are re-engimats. As currently understood, this world, at the forefront of developing neering their businesses. They are means parading goods on television

A saturated home market is forcing US retailers to look for growth opportunities abroad, says Richard Tomkins

A long walk for the shops

new shopping formats such as discount stores, speciality superstores and electronic home shopping. It would be more surprising if they failed to exploit that competitive advantage overseas, particularly when trade barriers are falling.

But there is another factor driving them to do what they have so rarely seen as necessary in the past: the US no longer provides the opportunity for seemingly limitless growth. Over the years, retail square footage has increased so rap-idly that the market has become saturated. If the market itself were growing, this might matter less: but, notwithstanding an upward blip in sales reported by some US stores groups last week, retail sales have barely changed in real terms over the past five years.

Worse, few can see a day when the growth rates of the past will return, even when people have more money in their pockets. Partly, this is because the US population is ageing, and older people spend less in the shops. But indus-try analysts say the bigger factor is the sociological trend that the consumer excesses of the 1980s have given way to a new era of thrift and

According to Mr Ed Meyer, chairman and chief executive of the New York agency Grey Advertising, US consumers are reassessing their lives in the 1990s in much the same

putting the brake on their whole approach to living," he told a retailing conference in New York. "They are not just limiting their spending, they are cutting back on their wants and their needs."

Whether or not Mr Meyer is right. the fact remains that almost the only opportunity for a retailer to increase sales in the current state of the US market is to capture market

et the competitive pressures have become so intense that few companies introducing a successful format can hope to keep their edge for long. One of two things tends to happen: everyone jumps on the bandwagon, leading to saturation of the emergent sector, or someone comes along with a better idea.

Take warehouse clubs - the big retailing phenomenon of the 1980s. Mr Sol Price, inventor of the concept, had barely opened his first warehouse before other operators moved into the market. By the end of the decade there were too many warehouses for too few customers, profits began to dwindle, and a wave of consolidation set in. Last year Mr Price's ailing warehouse operation was taken over by the rival Costco, to form Price/Costco. Or look at electronic home shopping, one of the latest retailing forshopping channels and inviting viewers to place a telephone order But already this concept is obsolescent. The new home shopping channels about to be introduced will be interactive, allowing viewers to choose what goods they want to look at, and order them at the push of a button through automatic deb-

iting of their credit card.

With so little potential for domestic growth, the arrival of each new store group and each new concept further saturates the market, with predictable consequences for the weakest. According to an analysis by Salomon Brothers, the Wall Street investment bank, more than half the top 20 US discount department stores that existed in 1980 are no longer around.

Small wonder that US retailers are looking for growth opportunities beyond their traditional market. There are few big store groups today that are not at least considering international expansion. Some are attracted by the cultural similarities of western Europe, and others by the growth potential of eastern Europe, Latin America or Asia. Most, however, seem to favour dipping a cautious a toe into neighbouring Canada or Mexico first. Wal-Mart, the discount store group which is the world's biggest retailer, has just bought 120 Woolco stores from Woolworth's Canadian subsidiary, while J.C. Penney, the department store group, is opening its first three international stores in

Mexico this year.
But will it work? Few previous US ventures into overseas retailing have survived. Most, coincidentally, ended in the 1980s. Woolworth sold its UK general merchandise stores; Sears Roebuck pulled out of Spain and Latin America; J.C. Penney sold and Latin America, J.C. renney Soil its Sarma stores in Belgium; Safe-way sold its UK supermarkets after a leveraged buy-out; Schering-Plough sold its worldwide Scholl chain: Singer sold its worldwide chain of sewing machine shops; Tandy demerged its electronics shops outside the US; Zale sold its UK jewellery shops; and Wickes

went bankrupt, leaving its Euro-

pean do-it-yourself stores to fend for

Today's adventurers acknowledge that expansion abroad has its perils. Mr Larry Bouts, international divi-sion president of Toys R Us, says it is a brave company that risks tak-ing its eye off the ball in the competitive US market to start up overseas; and companies entering the European market need nerves of steel to contemplate the much higher costs of property, labour and distribution there. Mr Warren Hashagen, senior vice-president (finance) of The Gap, the fashion store chain, says the dilemma faced by retailers going anywhere abroad is that they have to adapt their formula to suit local conditions, yet in doing so they risk undermining whatever it was that made them successful in the first place.

It might all be different this time though. Woolworth was profitable in the UK for decades before its retailing formula became outdated. and the company is still in overseas markets as a speciality retailer with its Foot Locker sports shoe chain Other US retailers entering overseas markets are more aggressive and experienced than their predecessors. In the food service sector, the phenomenal success of McDonald's has demonstrated that US products and US retailing techniques can prove a devastating combination when applied effectively. Retailers of the world, beware.

Matriarchal era in the making

ham Clinton attract such venomous criticism, especially from males of a conservative bent? I suspect the attacks reflect her gender as well as her politics: some men are unsettled by the presence in the White House of a genuinely power-

ful First Lady.
This thought was prompted, oddly enough, by a history of intellectual ideas: Richard Tarnas's The Possion of the Western Mind (Ballantine Books, \$16). Tarnas, a Callfornian academic, believes we are about to experience a transformstion in our "world view" as pro-found, say, as the shift from classi-cal Greek culture to medieval Christianity. It will involve the "death" of the aggressive male ego and its replacement by a more inclusive, holistic, feminine

approach to the world.
Nonsense, I thought at first. Yet change is under way. The shift of women out of the home and into the market economy in recent decades is an economic and social transformation without precedent in western history. As women gain influence in every sector, from medicine to financial services, they surely will begin to shape the world in their image. In contrast to past peri-

out to be the "century of women". Today's career women still face some discrimination - because men still occupy most of the very top positions. But educational trends

suggest their daughters will be unstoppable. In the US, a higher proportion of women than men now attends college. And in an age of "knowledge-based" capitalism, woman are at least as likely as men to possess the qualities needed for economic success. Brute strength and aggression are no longer advantages; today you need perseverance, flexibility and inter-personal skills virtues that women possess in

Women's empowerment is already bringing fundamental social change, as illustrated by last month's Washingtonian magazine. A local career woman in her late 30s decided she wanted a baby without the bassle of finding a suitable partner. She found the genes she required (high IQ, good eyesight and tall physique) in a Californian sperm bank, and now has a bouncing baby. Modern man's position is not entirely secure in either the

home or the workplace.

Tarnas is not content with purely economic or technological explanations for this revolution. Put briefly,



MICHAEL PROWSE

his thesis is that the rise of women is necessary to resolve an impasse in a western cultural tradition long dominated by masculine values.

The absence of women in any list

of great minds from Plato to Freud, he claims, reflects the nature of western man's intellectual quest as much as social repression. Man started in a state of primordial unity with nature, worshipping "earth-goddesses". But from the Greeks onward, he strove to differentiate himself from the natural world and to dominate it. By exploiting a cold and fiercely ratio-nal intelligence, he scaled breathtaking intellectual heights: in the age of Newton and Descartes, every-thing seemed within his grasp.

Yet as man compulsively analysed the world, the certainties of the Enlightenment began to dissolve. After Darwin, man lost faith in God. After Freud, he lost faith in his own rationality. After Heisenberg and the rise of quantum mechanics, he even lost faith in the simple verities of science. By the 20th century, complexities seemed to be multiplying in all directions. Solid matter was superseded by fuzzy, indeterminate wave functions, just as strict ethical codes were superseded by a pervasive moral relativism. The analytical approach left man feeling alienated,

without a deep sense of purpose.

At the same time, man's parallel project of gratifying his ego by sub-duing nature ran into unexpected difficulties. Capitalism produced a stupendous increase in economic productivity, but it did not eliminate poverty. And by the late 20th century it hit a new set of ecological constraints. The masculine desire to ravish nature found itself battling a feminine desire to protect it. In Tarnas's view, the rising influ-

ence of women is an inevitable response to this whole battery of problems. Women are beginning to assume a leadership role because the masculine analytical tradition is exhausted. It achieved scientific and

to harmonious relations between people nor catered for spiritual needs. The "green movement" is just one element in what is likely to be a more general "feminisation" of social and economic relations. The intellectual rebirth of the 21st century will require a new synthesis, stressing holistic approaches to knowledge, "oneness" between man and nature, and participatory solutions in the social sphere.

economic miracles, but has not led

Is this merely politically correct verbiage, designed to placate feminists? Not necessarily. Tarnas admittedly fails to realise that less competition and individualism in the economic sphere would have disastrous consequences for living standards. Nor is it clear that masculine and feminine values can be separated in the way he claims: as women take on the former functions of men, their values may change. Mrs Clinton seemed to be more macho than nurturing in her career as a cattle futures trader. Yet Tarnas is surely right to pin-

point the rising influence of women as the most significant social trend of our times and to link this with perceived (if often illusory) shortcomings in a network of beliefs and institutions, or world view, created largely by men.

OBSERVER

A peer into Orwell

When will Britain's leading Tories stop trying to recruit George Orwell to the cause of sentimental English nationalism?

First, the prime minister quoted Orwell's evocation of a slumbering England of warm beer and "... old maids biking to Holy Communion through the mist" in a St George's Day speech last year to the Conservative Group for Europe. Now we have employment secretary David Hunt, in a recent pamphlet on Conservatism and the Social Market, quoting Orwell on "the gentleness of the English civilisation" and that "England resembles a family".

But the point about Orwell is that he did not want his English readers to wallow in complacent self-congratulation. Just before Orwell's biking maids, for example, come the "queues outside the labour exchanges". And the gentleness which Hunt finds so appealing was, to Orwell, "mixed up with barbarities and

anachronisms". The selectivity of the quote about England resembling a family is even more crass. As Orwell's The Lion and the Unicorn (subtitled Socialism and the English Genius),

makes clear, England is "a family with the wrong members in conirol". A phrase that might, indeed, sound rather chilling to the most unpopular Conservative government this century.

Old bean

Tony Wood, our man in Kigali, was busy juggling calls from stranded British ex-pats, the Belgian authorities planning an evacuation and Britain's embassy in Kampala, when the FT finally got through to him. Britain's honorary consul in Rwanda - a retired coffee trader - insists that it's still "one of the best countries in Africa", but doubts that he will ever return. Given that he's 94. that's understandable enough, and anyway he has pressing matters hack home. Leyton Orient, the football club he chairs, has just sacked its manager - Peter Eustace.

Irish conspiracy ■ A fresh twist to the speculation

about why Ireland's European commissioner is throwing his weight behind Sir Leon Brittan's bid for the Commission presidency. One suggestion is that Padraig Flynn may be doing it because he wants to secure a plum job.

The rich get richer, the poor get poorer, but we don't get any holier

BANX

However, old Dublin hands speculate that his support for Sir Leon has more to do with a concern to keep his current job. For some reason Albert Reynolds, the Irish prime minister, is keen to be helpful to Britain at the moment. By supporting Sir Leon, Flynn keeps in Reynolds's good books and increases his chances of being reappointed.

Why should he be worried? Because Peter Sutherland is getting itchy feet as director-general of Gatt and, despite denials, could

be a runner for Delors' job. If he got it, Flynn would have to make way since Ireland can only have one commissioner. Stranger things have happened

Soft at heart It's not quite in the same league

as the death of the Malboro man.

But Rowntree's decision to take its Yorkie chocolate bar truck driver off the road after 17 years in advertising is a reminder that the knights of the road don't have the pulling power that they once did. J Walter Thompson, which handles the adverts, is replacing the macho trucker with a Pugitive style escaped prisoner "tough enough to eat Yorkies". Presumably this means the end of the lorry sticker "No hand signals. Driver eating Yorkie".

Sinking fortune

■ The flying fickle finger of fate strikes again. Even before The Sunday Times had published its list of Britain's 500 richest people, some of its information was looking a bit obsolete.

Take Sir Neville Bowman-Shaw and brother Trevor, who are chairman and vice-chairman of the Lancer Boss lift truckmaker.

The Sunday Times, worried that it had "seriously undervalued" the brothers' business, decided to more than double the size of the family fortune to £66m, "It is clearly a company run with a conservative balance sheet by its far-sighted management," concluded The

Sunday Times's wealth-watchers. Unfortunately, Sir Neville had to call in receivers to several of Lancer's British subsidiaries on Friday after German banks withdrew support for Steinbock Boss, its Munich subsidiary.

Mersey mouth ■ Only a poet of Roger McGough's

calibre could appear on the BBC's Desert Island Discs and admit that music didn't mean much to him. The Liverpudlian, who has probably done as much for poetry as the Beatles have done for music, said that all his records sounded "much the same". But if he had to take one, it would be a record of foghorns on the River Mersey. If he played it loud enough, it might attract a passing ship and lead to his rescue.

Spiv's motto

Deal goes right: open champagne, Deal goes wrong: open prison.

FINANCIAL TIMES

Monday April 11 1994



Rebels march on capital as Belgian paratroops fly in

Western troops rescue expatriates in Rwanda

By Leslie Crawford in Nalrobi and Agencies in Kigali

France, Belgium and the US were last night rescuing expatriates from Rwanda in central Africa, where thousands of people have been killed in tribal massacres after the president's death in an air crash last Wednesday.

French troops secured the air-port outside Kigali, the capital, on Saturday to evacuate some 600 French nationals living in Rwanda. US Marines were sent to neighbouring Burundi to assist Americans fleeing overland in a

long convoy of cars. Meanwhile, Belgian paratroops were reported to have landed in Kigali last night, after the Rwan-dan army lifted its objection to the arrival of the former colonial

Tribal tensions between the majority Hutu and the Tutsi people led to an ethnic bloodbath when the government accused guerrillas from the Tutsi-led Rwandan Patriotic Front (RPF) of shooting down the aircraft of the president, Gen Juvenal Habyarimana, last week. The president of neighbouring Burundi, Mr

The committee representing

creditors of the collapsed Bank of

Credit and Commerce Interna-

tional is refusing to approve

£23.7m (\$34.6m) in annual fees

demanded by the bank's liquida-

tors, who are partners at the

accountancy firm, Touche Ross. Touche is budgeting to receive

£17.5m in fees for the UK portion

of the liquidation alone, for the

year to next January. "Everyone

on the committee believes that is

Although Touche's budget has

not been approved, it can draw

up to £550,000 a week on account.

The committee members can-

not discuss their concerns about

Touche's costs with the thou-

sands of BCCI creditors, because

its six members have signed a

confidentiality agreement pres-

ented to them by Touche last

receive any cash from the bank.

too much," one creditor said.

A force of 4,000 RPF soldiers was yesterday reported to be marching towards Kigali to free the battalion pinned down by government troops, and their arrival may lead to escalation of

the fighting.

About 1,500 Belgians live in the small central African state, and there were deep fears in Brussels last night that the violence might turn into an anti-Belgian movement. There were apparently rumours circulating in Rwanda that Belgians were responsible for the shooting down of the presidential aircraft.

"We have a duty to restore order," Ms Christine Umotoni, an RPF official, said yesterday. "We cannot leave innocent civilians to be butchered by lawless ganga and renegade members of the presidential guard."

Thousands have already met that fate. Despite Rwanda's long history of genocide, the scale of the massacre in Kigali has shocked relief workers. The International Committee for the Red Cross says tens of thousands of bodies are lying in the streets

BCCI creditors body balks

at \$34.6m fee to liquidator

The arrangement to keep com-

mittee proceedings secret was

introduced because Touche

became concerned that there

were too many leaks. However,

some creditors believe it is now

stifling debate about how the liq-

uidation should be carried out

and how much the liquidator

the governor, Mr Eddie George, has been kept informed of the

committee's work and that the Bank is hopeful that a fees dis-count can be negotiated with

The committee has been told

that Touche had earned £98m in

fees by mid February from work on liquidating BCCI's UK

operations. Payments to lawyers working with Touche Ross in the

same period were £35m, most of it believed to have received by

the City firm Lovell White Dur-

The figures cannot be com-

it is understood, however, that

should be paid.

Cyprien Ntaryamira, was also and houses of the capital killed in the crash.

Ambulances venture out during lulls in the fighting to rescue the wounded. "Each trip is an adventure," said a Red Cross doctor. "The streets are blocked by Many are drunk and their behav-

iour is unpredictable." Médecins Sans Frontières, the medical charity, said it was evacuating its Belgian staff because of the palpable anti-Bel-gian sentiment in the capital. Belgium is accused of supporting the RPF.

A new government was named at the weekend, but it has not succeeded in gaining control of rampaging troops, and its authority has been rejected by the RPF. With anarchy reigning in the capital, many Rwandans believe the RPF will attempt a final assemble on Kirghi to sales political assault on Kigali to seize political

those willing to rebuild our country," Ms Umotoni said. The RPF, which launched its guerrilla war in 1990, models itself on the movement that led President Yoweri Museveni to

the liquidation submitted to the Department of Trade and Indus-

try, which were prepared on a different basis.

A paper presented to the com-

mittee, dated February 1994, says

BCCI's liquidators throughout

the world are budgeting to

receive £31.2m in fees in the coming year. Of that, Touche expects

to receive £23.7m, including £17.5m for UK work. Touche's

worldwide BCCI fees include

£10.4m to be earned by partners, with the balance earned by six

A Touche partner pointed out

that the costs of the liquidation

had been falling since the bank

Touche is hopeful, though, that

was closed down in July 1991.

estimated £1.8bn to creditors.

grades of manager.

"We will join forces with all

Services planned for the net-work include short-code dialling and common numbering. Companies will not be allowed to communicate with each other across the network. It therefore qualifies as "private" and is allowed under current EU rules.

network services manager, said the network, based on leased lines and dedicated software, could provide savings of up to 40 per cent on the companies' exist-ing bills for cross-border European traffic.

source - a consortium of the Swedish, Swiss and Dutch state operators - follows the stalling of its attempts to link up with France Telecom and Deutsche

the courts will approve a recently negotiated arrangement with group. Sprint, the third largest Abu Dhabi, BCCI's majority shareholder, which would US operator, and Telstra, the

AT&T and BT win European contract

By Andrew Adonis in London

A ground-breaking contract to provide a Europe-wide telecom-munications network for 30 of the continent's leading multina-tionals has been won by British Telecommunications and an alliance of AT&T and the Swiss, Swedish and Dutch state tele-

coms companies.

The contract, which may be worth Ecu500m (\$565m) a year, is the first step in a plan to build a pan-European telecoms network linking the facilities of the 30 companies. The contract is a milestone in the struggle by BT and AT&T, the largest US opera-tor, to establish themselves in continental Europe.

The 30 companies – believed to

include Rank Xerox, ICI, Philips, ABN Amro and ABB - have formed a European telecoms association, aiming to gain tariff reductions and upgraded services by acting jointly to provide for their telecoms requirements.

Although a significant breach of Europe's monopoly telecoms regimes, the corporate network has the approval of the European Commission, which wants to accelerate the development of pan-European communications.

However, each company will be allowed to include its suppliers, customers and part-owned sub-

Mr John Sale, Rank Xerox's AT&T's joint bid with Uni-

The main losers are France elecom and Deutsche Telekom, the French and German state operators, which bid jointly. Cable & Wireless, the UK

THE LEX COLUMN

Up front on leases

It would be welcome if the Accounting Standards Board clarified accounting guidelines in the wake of the Pentos fiasco. It remains to be seen, however, whether its reforms will be enough to prevent abuse of reverse premiums -payments by landlords to tenants who take on a long-term lease. If the ASB simply recommends that the benefit is spread over the first five years, shareholders may remain unaware of the full risks a retailer is running. The low average rents which retailers will pay in that time may still encourage reckless expansion. Equally, share-holders may be in for a nasty shock after a five-year rent review when the full impact of the lease hits home

There is thus a strong case for accounts to separate out the amount received in reverse premiums and their contribution to profits in any one year. Had NatWest Securities not raised the issue in the Pentos case. shareholders might have remained completely unaware of it until the rope trick collapsed. Equally, it can be argued that rent-free periods and landlords' contributions to fitting-out expenses should also be disclosed.

Reverse premiums are becoming less common as the property market recovers, but the issue remains important because retailers that have expanded or recycled their store portfolios during the recession will approach the critical rent review hurdle in the next few years. Inflation may not bail out expensive purchases as it has in the past. For some companies the increased cash outflow may be insignificant, for others critical. Shareholders should be allowed to judge the sheep from the goats.

UK property

Fund managers have already squeezed the value out of property shares. They are in danger of spoiling the fun in the investment market, too, after chasing yields on prime proper-ties down to 6.5 per cent. But about £11bn of institutional money is still looking for a home in property, according to Healey & Baker. It is little surprise that some fund managers are being enticed by the prospects of building their own assets. That such investments would have been unthinkable just a year ago emphasises the astonishing speed of the turnaround in market sentiment.

There are undoubtedly good devel-opment opportunities in selective sectors. Many tenants still complain about the dearth of good modern

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Per cent

space. Construction and finance costs are low. The more adventurous property companies, such as Helical Bar, have already taken the plunge. Big institutional investors, such as The Prudential and Scottish Amicable, are following close behind.

1977 79 81 83

The worry will be what happens to the rest of the property market if development activity takes off on any scale. Prime properties, which offer secure rental growth, may be little affected but widespread development could dull the edge of recovery elsewhere, damping rental and capital growth. That is especially bad news for most secondary and tertiary prop-erties, where yields are already beginning to climb again as long term rates rise. Substantial development activity would hasten the creation of a two-tier property market. Perhaps it is a good job bankers are so reluctant to lend.

Air France

Today's ballot on Air France's restructuring plan may be a defining moment for the French economy. After only six of its 14 trade unions recommended the deal, Air France raised the stakes by seeking direct approval from its 40,000 workers. If they reject the plan, the chairman has vowed to resign, the government's FFr20bn subsidy package will be with-drawn, and Mr Edouard Balladur's government will be plunged into a fresh political crisis. With the govern-ment under pressure following recent student unrest, that political uncertainty may further disturb the franc, which has been wobbling of late. Approval is critical if the govern-

ment's reformist credentials are to remain intact. Yet Air France's future is far from assured even if the restructuring is supported. By interna-

perately uncompetitive carrier. The restructuring proposals, including a salary freeze, changed working practices and the shedding of 5,000 jobs, are modest in relation to the scale of its problems. Air France lost FFr7.5hn last year and carries total debts of about FFr37bn. The goal of privatising

Air France remains a distant prospect.
The political difficulties preventing sufficiently radical restructuring may ensure that Air France lingers in the land of the living dead, halfway between state control and commercial reality. With the European Commission bearing down on state subsidies and competitors stepping up the pres-sure in Air France's backyard, that is an uncomfortable place to exist.

Lloyd's

The prospect of another thumping loss makes it vital that Lloyd's of London continues to reform its capital structure. Last year's introduction of corporate capital helped plug the gap caused by the last round of underwriting losses. Whether or not the mar-ket's solvency is called into question by the looming tide of red ink, more imaginative measures would help maintain confidence in its ability to thrive. In particular, a secondary market in syndicate participations would enable Names to raise cash by selling their rights to future profits.

The introduction of pre-emption rights promised for next year would be a step in this direction. Without such protection the value of a syndicate participation could be eroded over time. But the creation of a fully fledged trading system looks some way off, not least because the market value of participations would be extremely volatile. Regulating such a market and keeping the lid on insider dealing is also a headache Lloyd's could do without. These problems may eventually be overcome. In the meantime lifting

restrictions on corporate capital could achieve much the same effect. Allow ing companies to provide all the capi tal of a syndicate – from 50 per cent at present - would open the way for corporate vehicles which looked more like insurance companies than the investment trusts launched last year. If syndicate participations were swapped for shares, and the Stock Exchange could overcome its reluctance to list such new companies, Names would have a welcome chance

Japanese coalition split

Continued from page 1

government party. About 10 MPs from Mr Hosokawa 's JNP - less than a third of the total - said they would defect because they

do not like Mr Ozawa.

Nato fighters attack Serbs

two targets south and southeast of Gorazde at 1824 and 1829 local time (1622 and 1629 GMT)."

However, the administration came under pressure to act as the UN reported an intensification of the Serb assault, and warned that townspeople were in a desperate

situation. A few hours before the attack, Mr Warren Christopher, the US secretary of state, said the US was ready to take part in air strikes in the Gorazde area if the UN requested them.

£25,000,000 **Employee Buy-Out**

Led and arranged by

NatWest Ventures

Equity provided by

NatWest Ventures

Montagu Private Equity

Senior debt and working capital provided by

The Royal Bank of Scotland

Advisers to management, employees and the company

Eversheds Alexander Tatham Price Waterhouse Corporate Finance Blakesley Rice MacDonald

Advisers to financing institutions

Cobbett Leak Almond Touche Ross Corporate Finance Alsop Wilkinson



the people decide," said Mr Tomiichi Murayama, chairman of the

Mr Hosokawa started the latest political realignment, shortly after announcing his resignation by confirming the end of his Japan New party's plans to merge with the New Harbinger

Europe today

Sunshine and spring-like conditions will cover an area from southern UK, the Benelux countries and southern Scandinavia to the

Baltic states. Rain will dampen westen Ireland and the Scottish highlands during the course of the day. An active depression in

southern Europe will bring rain clouds to the former Yugoslavia and northern Greece. In the Alpine countries, that system will cause

wintry conditions and strong winds in the French Alps, and a cold Mistral in the Fihone valley. Cloud will remain along the northern coast of Spain and Portugal, but there will be

sunny periods inland. A shower is possible in

A surge of warm air in southern Europe will bring summery conditions to Turkey and the

Ukraine during the first half of the week. In

the Alpine countries and the Balkan States it will remain unsettled, but it will become more settled from the west. A strong ridge of high pressure will bring sunny conditions to the

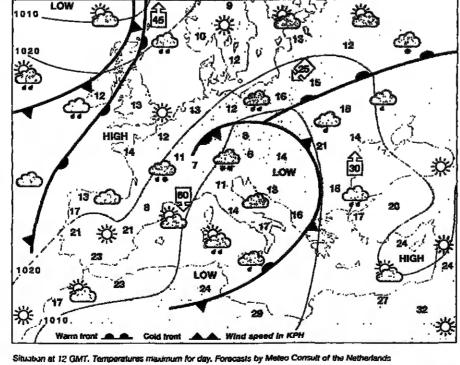
Benefux countries, the UK and large parts of

He launched, instead, a new JNP-led group, called Reform, which was over the weekend positioning itself as the heart of a new right-wing alliance, to embrace Mr Ozawa's JRP and the Buddhist-backed Komeito clean

Continued from Page 1 in, and dropped two bombs on

The US involvement marks a

turning point in the conflict. Pentagon officials had questioned whether air strikes would be effective and played down the scale of fighting. FT WEATHER GUIDE



TODAY'S TEMPERATURES

Five-day forecast

cloudy
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Section 1

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encouraging. Less so is the fact that the stacoalitions.

Stable government can only emerge once the present and former factions of the Liberal Democratic party work out a pattern that reflects the Japanese public's aspirations for a more open, honest and international style of politics. A particular difficulty is that any likely candidate for the prime minister's office will be as vulnerable to corruption allegations as

was Mr Hosokawa, if not more so. This carries an important lesson for Japan's foreign partners. On the one hand. Tokyo should be handled gently. Foreign trade

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Tuesday April 12 1994

Confrontation with the Serbs

The confrontation narrowly week later, when Nato shot down avoided two months ago has now four Serb aircraft that were violattaken place. In February, Bosnian Serb forces complied with Nato's ultimatum and pulled back their weapons around Sarajevo, allowing a marked relaxation of tension in the Bosnian capital and raising hopes of a more general peace throughout the country. At the weekend, by contrast, they ignored clear warnings from the UN and persisted in shelling the town of Gorazde.

On Sunday Nato aircraft went into action against them. Yesterday, after appearing momentarily to back off, the Serbs undertook a further escalation, reimposing the blockade of Sarajevo, resuming the shelling of Gorazde, and tar-geting the very UN personnel whom the Nato air strikes had been designed to protect.

A further Nato bombing raid knocked out one Bosnian Serb tank but appeared to have no other effect. Serbia itself, which in the past few months had seemed anxious to play the peacemaker in order to get UN sanctions lifted, yesterday stood firmly, if so far only rhetorically, behind its Bosnian protegé. President Slobodan Milosevic announced that he no longer accepts the UN's objectivity, and will deal with it only through the Russians. Russia's position has thus become both more crucial and more uncomfort-

in February Mr Yeltsin warned strongly against Nato air strikes, arguing that they would go beyond what the UN Security Council had authorised, and then intervened to prevent them by sending Russian troops to serve under UN command in Sarajevo. This enabled the Serbs to with-draw without total loss of face. A

ing the UN no-fly zone, Russia did not protest, but took refuge in feigned uncertainty about the air-craft's true identity. Since then Mr Vitaly Churkin, the Russian special envoy, has played a constructive role in negotiating a ceasefire in Croatia, and in persuading the Serbs to make some further tactical concessions in Bosnia

Mr Yeltsin's public protest at not being consulted before Sunday's air strikes appears to have encouraged President Milosevic to raise the stakes. Mr Milosevic seems to be gambling on trying to prise Russia apart from the west. However, the Russian protests yesterday were cautiously phrased, and did not amount to an outright condemnation of the strikes themselves.

Additionally, it is even less plausible now than it would have been in February to accuse Nato of acting unilaterally or bypassing UN procedures. This time the ultimatum came from the UN secretary-general. He was careful to base it on the first and least controversial of the UN Security Council resolutions authorising the use of force in Bosnia, namely the one that allows the UN to call on Nato for "close air support" when its own forces and other personnel are endangered in the execution of their humanitarian mandate.

President Bill Clinton, who spoke to Mr Yeltsin by telephone on Sunday night, must have made clear that the credibility of both Nato and the UN are now at stake. There is no doubt that the UN action so far has been justified. Russian help in defusing the crisis is more welcome than ever. But there can be no question of allow-

Video nasty

measure to restrict the distribu-tion of video films likely to harm. children: It would make it a criminal offence to supply such videos for private use or show them in a public place where children under is are admitted. Despite the oppo-sition of ministers, it has strong

The restrictions, proposed by Mr. David Alton, the Liberal Democrat MP, would be popular. Public concarn over video pastles has been mounting, fed by allegations of copycar violence by children and young people. It would be foolish to deny a connection between what people to and the images they see: businesses spend huge sums on advertising because it changes people's behaviour. Most children will not copy screen violence, but many child psychologists believe that repeated expo-

sure desensitises them. The case for censorship is thus easy to make. Specifying what is to be censored, however, raises insuperable problems. Mr Alton's measure defines harmful videos as those presenting "an inappropri-ate model for children" or "likely." to cause pychological harm to a

British MPs will today vote on a child". Broadly interpreted, this could cover the majority of films currently restricted to children of 12 and over, since they have already been judged unsuitable for some. Interpreting any such definition leads to the legal arguments that brought book censorship into disrepute.

country is also increasingly difficult. The growth of foreign travel eventually undermined book cen sorship in the UK: banned books by authors such as James Joyce could readily be bought in Paris and other European cities. Videos banned in the UK will be just as easily available on the other side of the English Channel. With satellita television and video on demand through cable, foreign

travel may not even be necessary.

There is sense in tightening up on video shops that supply videos to children without adequate checks on their age. More information of their age. tion on the contents of videos would also help parents keep a closer eye on what their children watch. But the Alton measure will prove unenforceable and will bring the law into disrepute. MPs

A Tokyo vacuum

Japan has long differed from other leading industrialised countries in having no clear centre of power. The political horse-trading provoked over the past few days by. the resignation of Mr Moribiro Hosokawa suggests that this situa-tion will continue.

Mr Hosokawa's administration had made real progress in breaking with the corrupt politics of the past and towards making the Japanese parliament more representa tive of popular concerns. This must not be allowed to go into

His drive for a more open style of democracy, his achievement in getting electoral reform through parliament and his economic deregulation have attracted so much public support that future governments will find it difficult to turn back the clock. That much is

ble government needed to carry Japan through this process is a distant prospect. The difficulty experienced by members of the fractious seven-party alliance in agreeing a new leader supports the view that the country is set for several years of rule by unstable

pressure, of the kind applied recently by the US administration, will be less effective than ever in current circumstances and could be counter-productive.

On the other, if the US and other trade partners are to take Japan seriously, they have a right to expect Japan to take itself seriously. The quirky events leading up to Mr Hosokawa's resignation have a flavour of farce, which risks devaluing the international image of Japanese governments. Likewise, the opaque negotiations to find a new leader provoke anxi-ety. Tokyo's smoke-filled rooms are no more fragrant today than in the LDP's heyday, when policy was formed in private by an inward-looking elite.

Even if Mr Tsutomu Hata, the foreign minister and front runner to succeed Mr Hosokawa, does make it to this week's Gatt ministerial gathering in Morocco, he is unlikely to get there, according to the latest official report, until the final day, Friday. That will leave inadequate time for discussions with Mr Mickey Kantor, the senior US trade negotiator, as a result of which the unwelcome shadow caused by the US-Japan trade row will linger for longer than

necessary. To some extent, Japan is lucky to have a bureaucracy capable of filling the power vacuum during the chaotic period to come. But not even the Japanese public administration can set its own policy, despite US suspicions that the more powerful ministries are inclined to act on their own agendas. Bureaucrats alone certainly cannot handle the trade dispute with Washington, as the past few months have shown. It is time for Japanese politicians to wake up to their international obligations.

he economic battering that the German social market model has received over the past three years seems to have weakened its claim to the title of the European economic model, a claim that appeared well established at the end of the 1980s.

Even admirers such as the French businessman Mr Michel Albert, who coined the term "Rhine capitalism" to describe the German social mar ket model of regulated, long-term, consensus capitalism, have predicted that it will be undermined by the new competitive forces sweep-

ing through the European economy Germany's high-cost economy is particularly vulnerable to the squeeze felt by many European countries between growing lowwage competition from developing countries and the more innovative economies of the US and Japan. To many commentators, Germany is poorly suited to the growth of smaller businesses which need to react swiftly to market changes and require organisational flexibility

and less rigid pay and hours. There is some truth in this view. Recent developments in Germany also suggest, however, that the institutions of the social market are proving both more supple and resil-

This is not just a question of cyclical upturn after the sharpest recession since the war. Witness the following recent events: the reduction in real wages achieved through collective bargaining earlier this year, the radical restructuring of many large companies (Daimler-Benz cut DM4bn (£1.6bn) in costs last year alone); the first stage of reforming health costs achieved in the face of widespread scepticism last year; and the massive but belated transfer of resources from rich west Germans to poorer east Germans, despite the unpopularity this provoked.

Several times in the past two decades mainstream economic and business opinion in the Anglo-Saxon world has underestimated the strength and solidarity of

German economic institutions. indeed, according to free-market textbooks the German economic machine should scarcely fly at all. its labour and capital markets are choc-a-bloc with rigidities. Taxes are high and rising, unions are still strong, and environmental (and other) regulations are stringent.

Yet Germany has outperformed most other large economies on most indicators even in its mature period of the past 20 years. Just prior to unification in 1990, it had the fourth-highest gross domestic prod-uct per head in the world (compared with Britain's 18th) and its "misery index" - combining the annual inflation and unemployment rate averaged 7.5 per cent a year between 1971 and 1992, almost the lowest in the world.

Part of the explanation for this relative success is that social market "rigidities" help to resolve problams which are scarcely recognised lems of uncertainty and conflict in daily business life.

German political and corporate institutions not only generate a high degree of economic stability: they are also better than liberal market economies at binding together economic actors in pursuit of common goals.

At the political level, under the

Ordnanospolitik system set up after operate within a regulatory frame-work over which governments have only limited discretion. A broad range of interest groups as well as semi-independent bodies such as the Bundeshank have a significant voice. Cross-party support for the privatisation of the German rail network is a recent example.

At the corporate level, employee, supplier and bank representatives on company boards, plus the lack of a contested takeover system for companies, also make it easier for corporate "stakeholders" to commit themselves to long-term relationships without fear of losing market advantage or personal benefits. It is this "stakeholder company"

which is at the heart of the German

There's still life in the old model

Despite economic woes, Germany's social market system has proved resilient and flexible, writes David Goodhart



system of market regulation, not the state. It is here that current reforms are being played out.
The stakeholder- (rather than

shareholder-) driven company is complemented by a web of organisations linking employers, such as chambers of commerce and industry associations, which help to produce services such as a good training system for school-leavers. Such developments are not the spontane-ous result of companies acting in their own profit-maximising interests, as British governments know

Despite these underlying institu-tional advantages, Germany's social market virtues can become vices. The model needs periods of turbulent renewal such as the one it is experiencing, Because consensus many panies and in politics the power of veto, reform can be too easily blocked. This contributed to some economic policy mistakes of unification's early stages. A combination of political cynicism and interestgroup power led to the wrong decisions about paying for unification and about industrial restructuring in the east. The result has been a bigger bill than necessary and the destruction of many businesses in

Further, in an era of more volatile market relationships the disadvantages of long-termism become as apparent as the advantages. How do you ensure your long-term relationships with suppliers, for example, do not inhibit competitive pricing? How do you react swiftly to changed market conditions when corporate culture is about negotiating change with long-standing partners?

Germany's companies thrive best when undertaking incremental changes to products and techniques. Hence the country's strength in industries such as cars, chemicals, machine tools - and relative failure in electronics and com-

This innovation weakness, combined with the decline in productivity to an annual average increase of 1.2 per cent between 1980 and 1991, suggested to some the model was in long-term decline even before the financial burden of unification.

Unification reduced per capita GDP to the level of Italy in 1991. It also played havoc with Germany's public finances, which are in a worse state than they appear because most analyses fail to take account of the state's large public ector pension liabilities.

Some commentators have thus concluded that Germany must hack away at its welfare provisions and corporate bureaucracy to embrace the vigour of Anglo-Saxon individu-

According to free-market textbooks the German economic machine should scarcely fly at all

alism. There are, indeed, both internal and external pressures for greater flexibility.
First, the system of centralised

collective bargaining is bending. Employers have recently been clawing back some of the fringe benefits granted in easier times, and some have left the national bargaining system to do so. The power of employer-friendly works councils inside companies is being enhanced at the expense of external national unions, as employers try to increase differentials between high- and lowskill employees.

Second, the appointment of former General Motors hatchet-man Mr José Ignacio Lopez to run Volkswagen's procurement division last year was symptomatic of a new, and less friendly, relationship

between companies and suppliers. Lopez was the most extreme example of more ruthless market calculation in company-supplier links, but other groups such as Mercedes-Benz have been aiming in the same direc-

Third, the relationship between companies and their banks is changing and the importance of equity capital is growing. Big companies can now raise money direct from the capital markets, a practice which has downgraded the strategic role of the big banks. In addition, a combination of international banking practices and the European Commission (which favours open equity markets and limits on bank shareholdings) threaten the cosy position of German banks on the non-executive supervisory boards. re they have long enjoyed

access to inside information. These changes may make the German social market a little less 'organised" and a little less egalitarian. But it can afford a greater degree of earnings inequality. The earnings gap between high- and low-paid workers narrowed slightly in the 1980s – against the interna-tional trend – and it is estimated that about 70 per cent of pay goes to middle-income households.

Despite signs of greater institu-tional flexibility, there are clear limits to change. Germany's sectoral bargaining system appears to be restoring pay restraint, and the alternative of decentralised bargaining with strong unions is not an attractive proposition to most companies. The Lopez example does not seem to have been emulated by many other big companies, at least

not as forcefully. Finally, neither contested takeovers nor the power of footloose equity capital are set for a large increase in importance because of the concentrated ownership of companies in Germany. Of the 171 largest industrial companies 86 per cent have a single shareholder which

owns more than 25 per cent of the concern. In most cases the share-holder is another company or a fam-ily trust, which generally means that short-term profit is not the pri-

mary goal.

Thus, backed by mildly deregulatory public policy reforms, the German economic model is reinvigorating itself without abandoning the core institutions of the social market, which can adapt and survive in the more open and flexible markets of contemporary Europe.

Some aspects of the model are particularly well-suited to new man-ufacturing trends. For example, when companies and their suppliers are used to operating in an atmosphere of trust, it is easier for them to share research and development costs as demanded in an era of rapid product turnover. Successful adjustment to "flexible specialisation" - which combines mass production and customisation requires a capacity for "retooling" in response to unpredictable demands. This needs surplus capacity in skills and equipment. Invest-ment in such capabilities is difficult to justify in liberal market regimes with high short-term performance pressures and companies dominated by accountants. The German sys-

tem positively encourages it. The "creativity" of German-style rigidities is now recognised by management theorists such as Mr John Kay, who argues that long-term relationships are crucial to the competitive advantage of companies. With the end of the cold war and a new focus on competition between market models, there has been a revival of interest in concepts such as the stakeholder company.

dequate reform of the social market model is not guaranteed but the system has reserves of strength. Even when productivity improvements were flagging between 1970 and 1990 Ger-many remained the largest exporter of manufactured goods in the Organisation for Economic Co-operation and Development and increased its market share over that period. Further, the east German economy could be on the point of take-off, which alone could help to shake up the west.

Germany's job creation record is better than that of many industrialised nations. According to the OECD, west German unemployment is now 6.3 per cent, lower than the US, and falling. But it will remain high in east Germany, and there is a danger that the strains of unification and high immigration on Germany's labour market could create

calls for protectionism.

Assuming this danger is avoided the German model could soon be in a strong position to claim market leadership again in the EU. The single market has sharpened competition between different approaches to market regulation, and Germany starts with the advantage that it is currently responsible for a third of industrial output in the EU.

Already EU rules are informed by a concept of Ordnung spolitik, which allows market forces to operate within prescribed rules. unlike the public policy system in France or Britain, and limits the scope for discretionary interven-

Apart from the financial services area, Brussels generally takes German market institutions as its pattern. At a European level it wants to promote organised employers, social partnership, and the stakeholder company, hence its interest in works councils.

The strength of Germany's industrial lobby organisations in Brussels is certainly no hindrance to the social market cause. And the arrival of more countries with considerable institutional overlap, such as Austria and Sweden, will be a further fillip. British supporters of a deregulated, liberal, market, have got an uphili struggle shead.

The author's pamphlet. The Reshapine caunor's pampiner, The Reshap-ing of the German Social Market, is published on Thursday by the Insti-tute for Public Policy Research, 30-32 Southampton St, London WC2E 7RA: £7.50

OBSERVER

A rose by any other name

■ Who would be a bank supervisor? Success is untrumpeted and the best reputations usually end up tarnished. Yet Rosalind Gilmore, 57, chairman of the Building Societies Commission, is in danger

of leaving her job smelling of roses. She intends to retire at the end of this year, having steered the building society movement safely through its worst upheaval in living memory. Financial deregulation, a consequent hair-raising increase in the level of mortgage debt, the first collapse in nominal house prices since the second world war. unprecedented arrears and repossessions - all came at a time when the building societies' capital base was uncomfortably slender.

The worst she can be accused of is nannying her charges. A robust approach to supervision was anyway part of the key to Gilmore's success. Serious nannying was required to ensure that troubled societies were taken over by larger and sounder institutions before cross-infection caused further turmoil in the sector. The successful absorption of Town & Country by the Woolwich Building Society in November 1991 marked the high tide - in the public eye, at least - of Gilmore's regulatory activism.

True, her success owed something

to the charity of others, notably

the insurance companies that chose to underwrite a growing share of the risk in mortgage lending at the most inauspicious moment. Taxpayers and legislators have

also done their bit, since income support for distressed borrowers is now paid direct to mortgage lenders. And Gilmore didn't have to cope with a US-style deposit insurance scheme which gave managers of troubled savings and loans carte blanche to run amok.

Yet the record speaks for itself. depositors have emerged with their savings intact. If only she had been in charge of regulating the life assurance and pensions industry. Were it not for her age, she would have made a natural replacement for the Bank of England's Brian Quinn when he gives up regulating.

Sic transit

■ Meanwhile, relations have not exactly been wonderful between Abu Dhabi - majority owner of the corrupt Bank of Credit and Commerce International – and Touche Ross, the bank's liquidator. though outright war has so far been avoided. Touche has sued BCCI's former auditor, Price Waterhouse

- and even the Bank of England but has deployed a softly-softly approach with the emirate. Being nice doesn't necessarily pay off. At the end of March, Abu Dhabi shipped to Touche's London

office 70 tonnes of BCCI documents,

all its head office files, airlifted

It's all about this zombie who goes on a killing spree after watching too many video nasties'

@ X

to Abu Dhabi in 1990. Creditors should not over-excite themselves; despite being carefully sorted in the UAE, the index has mysteriously disappeared in transit.

Heady stuff

BANX)

■ What is it with headhunting all of a sudden? First the TV series. now a novel, cozing with sex and corruption, entitled The Headhunter, by Juliette Mead, an ex-headhunter.

But it is not just the media that are beguiled by this peculiar line of work. Anne Ferguson, an ICI

veteran of more than 20 years' standing - who ran ICPs World Class campaign and masterminded marvellously obscure name - has just answered the call to join Spencer Stuart, one of the big international search companies. So how does a high-profile career in marketing prepare you for being a headhunter? "Both are about helping find solutions," says Ferguson glibly. Except in the minds of those who think the latter species create the problems.

Grapes of froth

■ Champagne socialists naturally are prone to error when it comes to lesser drinks. So perhaps we shouldn't be surprised that Britain's Labour party confuses Bordeaux with Rhône in its brochure of upmarket summer gifts. It offers two bottles of Chateauneuf de (sic) Pape for £21.75, describing them as "a pair of world-famous clarets".

Ouiet Lauda

Lauda Air, the Austrian airline founded by former motor racing world champion Nikki Lauda, is having a busy month, opening up new Vienna-based European regional network services to Barcelona, Madrid, Brussels, Geneva and Munich. Yesterday was Manchester's turn. However, Lauda himself couldn't be there - it was his turn to fly Lauda's Madrid route. Instead, he will land in Manchester today. But Lauda fans will have to be quick he takes off on the return Vienna journey at 9am, only 45 minutes after landing. He may be on the ground a bit longer, though, by virtue of landing earlier. "They always seem to go faster when he's at the controls," says a loyal aide.

Dutch treat

Risky place, the Netherlands. Apparently the country's 50 or so McDonald's restaurants are at least twice as likely to suffer property damage and loss of profits through fire, flood, vandalism and theft as their counterparts in eight other Asian and European countries.

"There does not appear to be any single explanation," says Mark Scully, a consultant with the actuarial firm Tillinghast, which carried out the survey for McDonald's. So if you fancy a Big Mac in The Hague, is the advice to think twice about it?

Untrustworthy

■ When is a unit trust a fund? When it's called the M & G Sterling High Interest Fund, launched this week. Somehow, trying to drum up support for the M & G Sterling High Interest Trust doesn't sound quite right, especially when it is stripped down to its bare initials,

FINANCIAL TIMES

Tuesday April 12 1994



PLO blamed for delay in troop withdrawal from Gaza and West Bank

Israel misses pull-out deadline

By Julian Ozanne in Jerusalem

Israel said yesterday it would not be able to meet tomorrow's deadline for completion of its military withdrawal from the Gaza Strip and West Bank town of Jericho. It blamed the Palestine Liberation Organisation for delaying the peace process and the implementation of Palestinian

Mr Yltzhak Rabin, prime minister, said the PLO was responsible for the delay because it had broken off peace talks after the February 25 Hebron mosque massacre of 29 Palestinians by a fanatical Jewish settler.

Mr Rabin said Mr Yassir Ara-fat, PLO chairman, "suspended to resign itself to the delay. Mr

the negotiations after the massacre in Hebron and therefore the responsibility is not on us".

Israel undertook the bulk of its military withdrawal last week and senior officers said they could complete the operation within 12 to 18 hours. However. Mr Rabin has insisted on an agreement including all aspects of Palestinian self-rule before giving the army final orders to

On a visit to Ankara Mr Shimon Peres, Israeli foreign minister, said the new target date for signing would be the end of April

At the Israeli-Palestinian peace

Nabil Shaath, chief PLO negotia-tor, said: "If Mr Peres says he is willing to respect the new target date, the date at the end of the month, fine with us."

Mr Shaath also said that in spite of the PLO disappointment about the delay, progress had been made in the past 48 hours of talks. If that continued, the two sides might be able to make an announcement on what they have agreed so far.

For the past two weeks the negotiations have been bogged down in wrangling over the numbers and powers of a Palestinian police force; the timetable for the release by Israel of up to 8,500 Palestinian prisoners; and the zoning arrangements for the

areas exclusively under Israeli control to protect 4,500 Jewish

In Paris, Israel and the PLO said they had made positive progress in talks on future econor relations.

former cabinet minister touted as a successor to Mr Rabin, said he would stand on his own list for elections to lead the Histadrut, Israel's biggest trade union feder-

Labour leaders said Mr Ramon's declaration of political independence might split the party and weaken it at a critical time as it pursues peace with the

Algerian PM resigns after IMF deal

Francis Ghilès in Washington and Agencies in Algiers

Algeria's president, Mr Liamine Zeroual, yesterday replaced his prime minister after less than eight months in a surprise move which came as the government took measures to put the economy back on course.

The departure of Mr Redha Malek and his cabinet in favour of a team to be led by Mr Mokdad Sifi, transport minister, came shortly after Algeria's armybacked rulers undertook a steep devaluation of the dinar as part of an agreement with the Interna-tional Monetary Fund. At the weekend the govern-

IMF which will pave the way for a \$1bn standby credit and economic reforms. These are aimed at liberalising the country's economy which is increasingly crippled by a debt-service ratio of over 100 per cent and a confrontation between the army and supporters of radical Islam.

Since Mr Malek took office last August, Moslem fundamentalists have stepped up their violent campaign against the government, widening random attacks to include foreigners.

Mr Sifi, aged 53, has served in high-ranking posts in the ministries of commerce, public works

France yesterday pledged its

support for Algeria's new economic measures, while awaiting announcement of the full composition of the new government before commenting on the politi-

"France has always said it is ready to play its part in helping the Algerian people and we will continue in this direction." Mr Richard Duque, the foreign min-istry spokesman, said yesterday. In practical terms, this means

France is holding open a largely unused FFr6.3hn (\$1.08bn) credit line granted to Algeria last year. Some FFr5bn of this is exportcredit tied to the purchase of French goods, and should help maintain Algeria's imports from France which would otherwise be

devaluation. France is also Algeria's largest single creditor, accounting for about 20 per cent of its \$26bn debt.

Paris has also been urging its European Union partners and other creditors to give Algeria generous rescheduling terms In Washington, Mr Michel Camdessus, IMF managing director, said the reform programme which the loan would support was "courageous and far reach-

ing . . . worthy of the support of the international community." But some senior officials could not disguise their bafflement that Mr Malek's resignation was not delayed until the IMF board

Air France rescue vote

union did not rule out industrial action in protest at the plans to cut jobs and freeze wages.

suaded that this was the last chance to turn things around, said one union official. Mr Blanc will now hold a fur-

union leaders, aimed at implementing the framework agree-ment to raise productivity by 30 per cent over the next three years. He will also discuss how to break up the group to increase

Gatt chief says Uruguay Round will protect poorest countries Continued from Page 1

By Frances Williams and Guy de Jonquières in Marrakesh

The Uruguay Round trade agreement will protect the least developed countries from the "law of the jungle". Mr Peter Sutherland, director-general of the General Agreement on Tariffs

and Trade, said yesterday. Mr Sutherland said assertions that some of the world's poorest countries would lose from the accords were based on "a mis-statement of the facts". He was speaking on the eve of a four-day meeting of ministers from more than 120 countries which will end with a formal signing of the Uruguay Round on Friday.

"The least developed countries are not losers but winners," he

said. Above all, they would gain

small and economically weaker only protection from the "law of the jungle". Mr Sutherland said ratification

of the Uruguay Round was still the subject of debate in some approval by the leading trading powers must be completed in time for the round to take effect by next January. However, the round would not mean an end to trade disputes.

Japan is expected to call at this week's meeting for unilateral trade weapons to be placed on the agenda of the World Trade Organisation, which is designed to replace Gatt. Tokyo fears that the new trade rules will not curb

from strong multilateral rules the growing use of anti-dumping and disputes settlement. For actions and US threats of unilateral trade sanctions.

The Gatt secretariat, in an analysis published today, estimates that agreements to open markets for agricultural and industrial goods under the Uruguay Round could add \$235bn a year to world income by 2002.

These estimates do not include expected gains from liberalisation of services trade or the boost to business confidence and investment from improved trade

According to Gatt, industrial tariffs in developed countries will fall from an average 6.3 per cent to 3.9 per cent. Some 43 per cent of their imports by value will enter duty free, against 20 per cent before the round began.

Mr Blanc's success was attributed to a strong communications effort which has involved more than 2,000 meetings with staff and union representatives. It also reflected the severity of the situation facing the company. "Many of the staff were per-

ther round talks with staff and

Fresh air attack on Serbs raises east-west tensions

FT WEATHER GUIDE

Continued from Page 1

officer warned that the "act of aggression would lead to unpredictable consequences" and that the army had undertaken measures for its own defence".

veyed his concerns to Mr Warren Christopher, US secretary of

"I do not want to aggravate the situation, which is bad as it is, but would like my words to be taken very seriously," the Rus-

General Pavel Grachev, the Mr Christopher with their Rus-Russian defence minister, also voiced Moscow's unhappiness in a conversation with Mr William Perry, his US counterpart.

However, officials in Washing-

ton insisted that the telephone

conversations of Mr Perry and

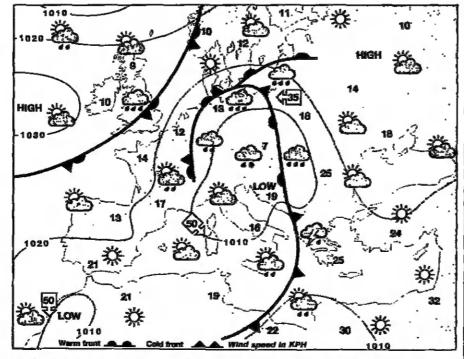
sian opposite numbers had all been initiated by the US side. One UN estimate said 60 people were killed in Gorazde on Sunday night, compared with a previous death toll of around 100 for the

Europe today

Low pressure over central Europe will bring significant rainfall to parts of Germany, the Czech Republic, Hungary, and parts of the former Yugoslavia. Eastern Germany will have some downpours. Scotland, Wales and most of England will be cloudy with periods of rain and drizzle which will linger along a frontal system. The Alps will stay rather cold with ttered snow and rain showers. South of the Alps, it will be mainly sunny, except for some showers over southern Italy. The northern Mediterranean will be cool for the season, especially in France where there will be chilly Mistral winds. In contrast, warm air from the Sahara will drive temperatures up to 25C or more over south-east Europe.

Five-day forecast

Low pressure will still be generating extensive rainfall on Wednesday over Germany, central Europe and parts of southern Sweden. The low will move north on Thursday and dissipate slowly. Meanwhile, high pressure near Ireland will produce settled conditions over the British Isles and a large part of during the rest of the week. The western Mediterranean will stay mainly dry and



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THE LEX COLUMN

Burmah's pace quickens

There is a certain amount of lubrication in Burmah Castrol's annual figures. Without currency movements and disposais last year's \$231m operating profit would have shown only a small gain. Without the enhanced scrip dividend at the interim stage the tax rate would have been 4 percentage points higher. That benefit will fall this year and Burmah will no longer be releasing £7m in provisions on its liquid natural gas transportation business. In earnings terms it will have to run hard to stand still, especially given the dilutive effect of two enhanced scrip dividends in a row. Yet the unexciting outlook for stated earnings masks an improving underlying

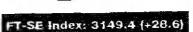
Burmah's automotive lubricant business has proved resilient in the recession and Syntec, its high margin synthetic oil, will move into profit this year. More important, the chemical businesses should soon start to recover with the cycle. Earnings should be growing strongly by 1995, which makes a historic price earnings ratio of 15 undemanding. Yet Burmah still has to decide how

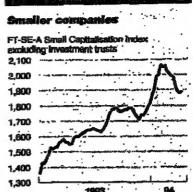
to use the benefits. The operational gearing inherent in its chemicals business means it could start to generate more cash than it is traditionally used to. If it manages to sell peripheral ses as well, Burmah could be enjoying a surplus of cash. Although gearing is nearly 80 per cent, there is no pressing reason to pay down debt when interest cover is over six times, One possibility might be another large acquisition, though Foseco has not yet proved a convincing diversification. It might make more sense to return money to shareholders, especially if the new foreign income dividends reduce the tax problems in doing so.

Small companies

If the minnows of the market had the best of last year's bull run in equities, they are also showing some useful defensive qualities. Even after two months in decline, the FT-SE Small-Cap index has risen by 4 per cent this year. If hedge funds and other big international investors were responsible for the turmoil in the upper echelons of the market, the lower reaches might have been expected to escape the worst. Still, the recent wave of flotations and rights issues - more than £1.5bn was raised by smaller companies in the first quarter - has

been absorbed surprisingly well. Increased weighting towards small





companies by investment institutions, and a steady flow of funds into small company unit trusts, have helped. But the best of the institutional reweighting has probably now been seen. After its recent outperformance the SmallCap is hardly cheap relative to the rest of market. A multiple of around 17 times this year's forecast earnings - a 20 per cent premium to the FT-SE 100 index - is not exceptional for this stage in the economic cycle. Neither does it leave much

room for disappointment. The comfort is that smaller compa-nies' results have been, in aggregate, well up with expectations. Dividend growth has bounced back after three years of shrinking payouts. There is also a chance that analysts' forecasts underestimate the extent of operational gearing likely to be experienced by industrial companies as the economy improves. With so many manufacturers and engineering companies clustered at the bottom end of the stock market, the SmallCap could yet

Construction The latest forecast from UK building material producers is notably more upbeat than previously. But given the rise in building material and construction shares over the past year, it would have been alarming to contemplate anything else. Housebuilding appears to be ticking over nicely while there is a lot more optimism about industrial and commercial construction spending. The repair and mainte-nance numbers look weak but the suspicion must be that official numbers are distorted by the blossoming black economy. Companies exposed to that sector, such as plasterboard manufacturers, are certainly reporting good

volume and price gains. Despite the benign outlook, contrac-tors remain a grumpy bunch. Industry leaders are advancing the novel proposition that the generosity of bankers is to blame for keeping weak competitors afloat. Aggressive tendering is therefore still whittling away margins while some big projects fade away. The Channel tunnel is almost complete, the grocery chains are scaling back their ambitions to carpet the country with concrete, and the cut in the road building programme will

begin to hunt next year. The logical answer would be for the construction sector to rationalise capacity through mergers. There remains a place for both specialist or regional contractors and diversified international groups. But mediumsized contractors may find it increas-ingly hard to justify an independent

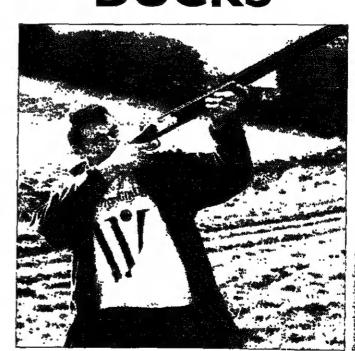
Water

The 15 per cent fall in the water sector this year owes more to rising bond yields than to increasing regulatory risks. The yield gap between index-linked gilts and water shares has remained remarkably constant since the turn of the year at around 1.6 percentage points. The risk premium for holding water shares is thus unchanged.

True, this aggregate performance hides a narrowing of odds ahead of this summer's review of price limits by Ofwat, the industry regulator. Lag-gards such as Yorkshire have tended to perform better than traditional favourites such as Severn Trent. If trading volumes remain thin there could be some uncomfortably sharp corrections. Last week's 5 per cent fail in the sector, despite relative calm elsewhere in the equity market and in index-linked gilts, is a case in point.

With few announcements likely in the run up to the review, though, the sector will probably continue to track bond yields. Whether water shares decouple from bonds thereafter depends on the outlook for dividend growth once the new price limits are known. Until then a prospective yield approaching 6 per cent, based on esti-mates of dividend growth this year, is a tempting carrot. That should limit the downside, even if index-linked gilt yields rise from here. The worry is that Ofwat has yet to wield its stick.

ANGUS FRASER shooting for **DUCKS**



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